

Swiss Trust's Josef Meyer on CRS as a Game Changer and Viable Swiss-based Solutions

Josef Meyer, Partner at Swiss Trust, addressed delegates at the Hubbis Asian Wealth Solutions Forum to explain that in the face of demands imposed by the Common Reporting Standard and Automatic Exchange of Information the stand-alone trust is the instrument of choice for wealthy investors. He looked at the wealth management industry in this new era of regulatory constriction and highlighted the appeals of Switzerland's lump-sum taxation on worldwide income as a very attractive alternative for the very wealthy.

Meyer introduced himself, noting that it was very positive to be at a forum where there was such focus on regulatory matters. He explained that his core role at Swiss Trust is providing solutions for wealthy clients and families. Meyer has over twenty years of financial services experience, working in asset management, portfolio management and private banking.

In 2009, he founded AXIOMA Wealth Management to bring his expertise in finance to private clients. Before founding AXIOMA, Meyer was a director at Renaissance Capital in Moscow, a client advisor at UBS in Zurich, and the founder and owner of Meyer & Partner Asset Management.

"In 2018," he recalls, "seeing the need for more confidentiality amongst the clients, especially in the light of increasing transparency, I founded Swiss Trust AG and Swiss Trust Company, because with CRS coming along I had realised that I had to do more to protect my clients, and to be honest there was not such strong legal support available locally in Switzerland for this."



JOSEF MEYER
Swiss Trust



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Complexity demands simple solutions

He noted that when the regulatory environment becomes so complicated, it makes sense to recommend structures that are as simple and transparent as possible; otherwise, those clients might end up with problems. “With all the new regulations and new risks changing the landscape,” he added, “we have dedicated ourselves to finding solutions that reduce risk while reaching new heights in flexibility and privacy. In a changing world, we aim to deliver the innovation our clients deserve, with the security they expect.”

He explained that CRS is truly a game-changer, and the old way of doing things in Switzerland - telling the client to get an offshore company to hold the bankable assets in some jurisdiction such as in the Caribbean - are well and truly over.

“In that outdated model,” he recalls, “the client had full control, full flexibility, nothing

to report, so there was no need to make it complicated. Then there were some Swiss lawyers, or Liechtenstein lawyers advising that in order to achieve minimum asset protection and some succession planning then construct a Liechtenstein foundation on top of that, and then eventually people switched to Panama because it was cheaper.”

A brave new world

But all those structures are no longer viable. “CRS is such a game-changer because CRS will classify this company either as a passive non-financial entity or as a professionally managed investment entity. And this classification will have been made by the directors in the past already, on its formation.”

Accordingly, Meyer extrapolated, the question then is who is doing the reporting. “From the Swiss perspective,” he commented, “the trustees said: ‘we are not going to do that, let the banks do that because then

the information is then safe’. Well, guess what? It is not really safe because if the bank reports, then this by definition, says on the CRS form that the client is controlling the structure where he is tax resident. And on top of that there is the issue of economic substance and other concepts that will be applied by the banks. Additionally, the EU parliament’s position is that beneficial ownership registers will help tax authorities to properly carry out their duties.”

Lump-sum taxation in Switzerland

In short, this all means that the offshore legal entity no longer has any credibility or confidentiality. Meyer then explained that in the face of all of these current and forthcoming issues, Swiss Trust went to its high-net-worth (HNW) clients and the biggest families to advise them to consider coming to Switzerland under a lump-sum taxation arrangement.

“You then become a grantor of a trust, of a stand-alone trust,

and there are no further legal entities required, and you use us as your Swiss-based trustee,” he explained. “If you then have your bankable assets in Switzerland as well, you are then fully tax compliant, but you don’t have any more exposure to this CRS madness, it is all in one jurisdiction.”

The Nevada angle

However, Meyer adds a note of caution. “I remain nevertheless somewhat wary of both the OECD and the European parliament, and I can imagine that a few years down the road even Switzerland might have a register of grantors and settlers. Accordingly, we went the extra mile and formed a company in Nevada to provide a governing law outside of the CRS world, and we use that as a co-trustee, while all the bankable assets can remain in Switzerland.”

Swiss Trust’s expertise

He referred to another detailed slide to support his very informative presentation. “Swiss Trust possesses huge expertise and network to support families with their relocation to Switzerland,” he told delegates. “Through a tax ruling with a chosen canton in Switzerland, a family can move to and live in Switzerland paying a pre-agreed amount of income tax on an annual basis.”

This means the family will not be taxed on its worldwide income, which is truly a huge advantage for wealthy individuals.

“However, the family is not allowed to work in Switzerland,” he added, “although the family members can keep mandates or can remain board members of companies abroad. In general, this solution also offers the biggest privilege in the era of tax

transparency, namely privacy. And in this way, all my clients are fully tax-compliant.”

Privacy and planning

He then talked about the implications also for estate and succession planning. “As I mentioned, you achieve a high level of privacy, and you are outside the CRS net, or AEOI, or later the beneficial ownership problems that are coming soon, so your information is not going from Switzerland to Cyprus, for example, or to Malta, or wherever.”

He drew his talk towards a close by reiterating that wherever a client is tax resident, they should review their CRS classification.

“Our solution offers tax compliance,” he stated, “it offers the platform for estate and succession planning, it protects your privacy, and you end up with zero CRS exposure.”

He noted that in addition to the full range of trustee services Swiss Trust offers, the firm provides consulting services in restructuring existing corporate structures.

“And,” he noted, “having practical experience in applying the requirements of the AEOI and CRS, we can conduct a CRS audit of the existing structures.”

Don’t delay

His final word was to advise wealth managers and their clients to analyse the existing structures and their classification under CRS and discuss the next steps with legal advisers. “A stand-alone revocable trust offers more flexibility, control and confidentiality than legal entities,” he concluded, “as well as enabling a stronger split between corporate and private assets, which is absolutely necessary in this tax-transparent world of today.” ■

