

# EMBRACING GLOBAL TAX TRANSPARENCY

The sweeping global changes around global tax transparency present more advantages than challenges for advisers wanting to get to know their clients better and develop deeper relationships with them, said panellists at Hubbis' SWISS-ASIA Wealth Exchange 2014 in Zurich in late October.

## PANEL MEMBERS

**JOHN SHOEMAKER**  
UBS

**FRANCESCO VANACORE**  
Credit Suisse Trust

**ERIC BOES**  
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While automatic exchange of information (AEOI) through different reporting frameworks aims to bring global tax transparency, it might not have the negative impact everyone is expecting.

This was according to panellists at Hubbis' SWISS-ASIA Wealth Exchange 2014 in Zurich in late October.

"I try to emphasise that the term 'tax transparency' might be a bit of a misnomer because we have found that opaqueness is still going to be an opportunity," says John Shoemaker, head of product management, trusts and foundations at UBS.

In general, panellists believe that although disclosure of information is necessary, and

inevitable, the scope for effective wealth planning, investment management and structuring which aren't necessarily tax transparent will still exist.

The key, says Shoemaker, is managing client expectations. Sitting down and discussing the regulations and their impact



JOHN SHOEMAKER

UBS



ahead of time with a plan of action for the future is probably the best way to get ahead of the game, he explains.

#### UNDERSTANDING CLIENTS BETTER

More broadly, transparency is an excellent opportunity for advisers to improve their knowledge about a client.

Eric Boes, global head of FATCA solutions at Amicorp Group, says wealth managers should pivot their discussions with clients around the impact of these new regulations – to learn more about their citizenships, tax residences and the structures set up in the past.

In particular, Boes says it is especially important for wealth advisers to discover whether tax mitigation, asset protection or estate planning is the ultimate objective for their clients.

A better understanding will not only help these advisers to offer better solutions; it will also strengthen the overall relationship.

Adds Francesco Vanacore, managing director and head of products and solutions at Credit Suisse Trust: “In the discussions we are now having with clients, we need to distinguish between three dimensions.”

These are the legal part, the tax part, and the regulatory dimension which is focused on transparency, he explains.

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#### FRANCESCO VANACORE

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**ADVOCATING DISCLOSURE**

In terms of solutions for clients which look to mitigate the impact of taxes on the return on their investments, Boes recommends wealth management practitioners to increasingly turn to trusts and foundations to help clients achieve their objectives. At the same time, however, he warns that clients must realise most of these structures are also going to need to be disclosed.

Yet disclosure isn't necessarily a bad thing. Information will only be shared with the revenue authority of the country where the client is a tax resident. And given that most clients are not generally looking to evade or avoid taxes, this helps them plan their investments and make disclosures peacefully.

It is therefore critical to ensure clients do not perceive the disclosure of information as something which is negative.

Shoemaker says a myopic focus will deter clients from taking a multi-jurisdictional approach to protecting their wealth.

**GOING DIGITAL**

With significant changes underway in the wealth advisory space, there is also a growing need for clients to be engaged

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on a digital platform to help them execute their transactions. The rationale is that such platforms are more efficient, plus they put the power in the consumer's hands.

Developing a digital interaction with clients also provides firms with far greater insights into a client's life.

And going forward, said speakers, having a digital engagement has the potential to enable firms to meet the requirements of common reporting standards for multiple jurisdictions.

**COLLABORATING WITH REGULATORS**

In jurisdictions at a relatively early stage of considering AEOI, panellists said there is also an opportunity to help shape the regulations.

With many authorities grappling with the international framework, they seem to welcome the co-operation and assistance of practitioners with a global presence, explained speakers.

“We are willing to approach regulators to discuss this with them,” says Boes.

“There is a learning curve on their side in order to understand the matter and how we can come up with a common solution.”

Shoemaker adds that it is important to assist the regulators in developing countries with insights about global practices so that the rules they come up with are internationally congruent and don't hinder smooth integration of reporting requirements.

However, the new regulatory frameworks bring with them a need for more talented people with stronger skills and, often, some form of legal education.

“The complexity is becoming greater and it is hard to find the right people,” says Vanacore. Boes agrees, adding that it is increasingly difficult to find talent which can understand the cross-border regulations and their impact. ■