in Q Search Comments TAX RESIDENCE Leah Marie Lombard and 2 others COMPLIANCE TEAM FECK YOU Add a comment... Here's the feedback from Singapore's Compliance-KYC officers on ignoring multiple residencies of their foreign HNWI work-permit clients. Mark Morris
CRS and CARF expert. No, truly. September 4, 2024 The tie-breakers from the OECD Model Tax Convention on Income and Capital is used to determine the sole jurisdiction who has the legal rights to apply taxes on clients that demonstrate multiple tax residencies, such as 183+ days in Singapore and Habitual Residence in China, or center of personal interests due to family ties. IT IS NOT THE ROLE OF CRS OR FI MUPPET COMPLIANCE OFFICERS TO DETERMINE THE SOLE TAXING AUTHORITIES I'm convinced every compliance-KYC officer employed by FIs located in Singapore erroneously conclude that all their clients' ONLY tax residence is Sinagpore if they provide a Singapore work-permit and lease for a crappy furnished apartment. (Implausible wealthy client would permanently live in a roach-infested furnished apartment) DO I HAVE TO SPOON-FEED IT TO YOU? Why would compliance be stooges for their employees? Simples, my dear Watson. The FI can attract UHNWI clients from SE Asia, and guarantee no CRS reporting. Irrevocable trusts with nil value Settlor... pfft, that's so pre-covid planning. Addendum to CRS issued by OECD in 2018, warning of schemes used to camoflage multiple tax residencies • In 2018 the OECD issued an addendum to CRS that clients may submit documentary evidence that they re tax resident soley in a jurisdiction, but omit information about being simultaneously ta xresident in other jurisdictions. This warning of multiple residences, but the scheme allows the client to provide documentary evidence on only one..."CBI/RBI schemes can be misused to undermine the CRS due diligence procedures. This may lead to inaccurate or incomplete reporting under the CRS, in particular when not all jurisdictions of tax residence are disclosed to the Financial Institution. Such a scenario could arise where an individual does not actually or not only reside in the CBI/RBI jurisdiction, but claims to be resident for tax purposes only in such jurisdiction and provides his Financial Institution with supporting documentation issued under the CBI/RBI scheme, for example a certificate of residence, ID card or passport." OECD
BETTER POLICIES FOR BETTER LIVES Residence/Citizenship by investment schemes While residence and citizenship by investment (CBI/RBI) schemes allow individuals to obtain citizenship or residence rights through local investments or against a flat fee for perfectly legitimate reasons, they can also be potentially misused to hide their assets offshore by escaping reporting under the OECD/G20 Common Reporting Standard (CRS). In particular, identity Cards and other documentation obtained through CBI/RBI schemes can potentially be misused or abused to misrepresent an individual's jurisdiction(s) of tax residence and Potentially high-risk CBI/RBI schemes are those that give access to a low personal income tax rate on offshore financial assets and do not require an individual to spend a significant amount of time in the location offering the scheme. Don't confuse the OECD Model Tax Convention on Income and Capital, which determines where a client is tax resident in in multiple jurisdictions and the MC tie-breakers that are used to finally decide which sole jurisdiction can tax. CRS reports to all countries the client is likely to be tax resident, eg. use of indicia. Afterwards, the client can use double tax treaties to try prove to their authorities they are actually tax resident in a particular country ONLY, but that is not the role of CRS. The tie-breakers from the OECD Model Tax Convention on Income and Capital is used to determine the SOLE jurisdiction who ha steh legal right to apply taxes. THAT IS NOT THE ROLE OF CRS OR FI COMPLIANCE OFFICERS! Don't think a client simply moves to Singapore or Dubai, spends at least six months there, presents a tax residence certificate to their bank to prove they are tax resident ONLY there. If the client claims tax residency in one country, they can easily be tax resident elsewhere at the same time, 183+ days or not. Feedback from Singapore FI compliance officers deciding on their own whim that Singapore is the ONLY tax-residence jurisdiction of clients providing a work-permit and apartment lease (or even purchase) for due diligence. ? Are you aware the OECD issued an addendum to the CRS in 2018 warning that clients may submit inaccurate or incomplete reporting for due diligence, in particular when not all jurisdictions of tax residence are disclosed to the Financial Institution. Such a scenario could arise where an individual does not actually or not only reside in the claimed tax residence jurisdiction, but claims to be resident for tax purposes only in such jurisdiction and provides his Financial Institution with supporting documentation issued under the scheme, for example a certificate of residence, ID card or passport. FI compliance answer, brief and to the point ? Are you aware a HNWI individual is likely a dual resident due to multiple permanent homes, personal or economic interest described in OECD MC center of vital interests, or most likely habitual abode? FI compliance answer, brief and to the point ? Do you utilise the Model Convention#s centre of vital interests scenarios, especial personal interests, to determine secondary tax residencies? FI compliance answer, brief and to the point ? Are you aware that a client may have multiple tax residences for CRS (remeber the old indicia before OECD warning) with appropriate AEOI reporting to each jurisdiction. However it is up to the client thereafter to depend on tie-breakers from the OECD Model Tax Convention on Income and Capital to determine the SOLE jurisdiction which jurisdiction can apply taxes. DO YOU KNOW DETERMINING THE SOLE TAX RESIDENCE JURISDICTION THIS IS NOT THE ROLE OF MUPPET FI COMPLIANCE OFFICERS OR CRS FI compliance answer, brief and to the point ? What is your feedback to the OECD that Singapore FIs are ignoring the OECD CRS regarding dual tax residencies in order to attract HNWI clients, especially from China. Bearing in mind, Singapore CRS guidance keeps it mouth schtum on this issue... Thank you, anything else to say... Don't let the door hit you on the way out

Summary

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Mark Morris

CRS and CARF expert. No, truly.

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