2013 - The EU and Global Crisis and the 'Hunt for the Rich' or rather the 'Hunt for the *Moderately* Rich'

…The Final Act!

What does the '*Near* Future' hold – in simple, practical and pragmatic terms - for the International Financial Centers and The International Tax Planning and Asset Protection World …And the Optimal Solutions, Strategies and Actions.

'The New Switzerland' for the Rich…

May 2013 - Authored by a team of experienced wealth management, asset protection and international tax planning experts from the US and the EU who wish to remain anonymous

Parties leading The 'Hunt for the *Moderately* Rich': Powerful, high-tax countries of 'the Old World' with a fiscal deficit, state debt, banking and economic crisis problems and bleak growth prospects, afraid of the challenges mounted by their powerful and privileged rivals of 'The New World' and with – unavoidably - wounded, undercapitalised and problematic banking sectors suffering significant bank deposit, investment and human capital (taxpayer base) flights to 'New World Countries' via International Financial Centres or tax havens.

Their main goals and interests, which are reasonable given their situation and lack of competitive advantages, in order to keep people, money and businesses at home paying taxes are:

- To restrict their taxpayers freedom from changing their tax residence, even if they physically relocate abroad, so their tax revenues are protected from population flights to more 'favourable countries' , except the Very Rich for which there always will be solutions and these are also 'powerful' people/organisations which are 'very hard to beat' and for which at least one protected safe haven will be maintained preferably far away from home but at a 'convenient location / regime'– see Dubai

- To make it practically next to impossible to open personal and/or corporate bank accounts abroad unless there are REAL business and/or personal interests in the other country so the cash 'stays at home' at the local banks and restrict the number of such accounts a person can have so the monitoring is easier

- To restrict the use of international tax planning and asset protection techniques and the use of Double Tax Treaties in order to avoid tax revenue leakages to other countries

The Methods / Measures Employed Applying pressure on 'less powerful' jurisdictions (among others …) are:

- Tax and Bank Exchange Information Agreements with other countries without court orders and amendments to tax treaties to allow information exchange with ease and speed

- Imposing Money Laundering Legislations Globally to Banks and Trust and Corporate Service Providers with a regime for reporting 'suspicious transactions' and widening the definition of 'money laundering' to include almost anything including tax evasion and in some cases tax avoidance! And promoting the deployment of big compliance departments in banks which make account opening a difficult, long drawn out process with a lot of rejections relating to various categories of accounts e.g. complex corporate structures, nationality bias etc.

- Anti-avoidance tax legislation to either impose exit taxes on relocating abroad and changing tax residence or time limits (e.g. 10 years) before the change of tax residence is effected

- Maintaining 'black lists" of uncooperative jurisdictions with sanctions in case of non-compliance

- "Persuading" banks that operate in their territory and internationally to apply and comply with the measures. Essentially, the measures are structured to meet the goals stated above.

These are all but a few of the measures taken.

Necessary Conditions for all these to be effective:

First, it was clear that for all this to work and achieve the goals stated above only very few jurisdictions (one or maximum two options) should be "permitted" to remain "open" and be advantageous enough to shelter and accommodate the Very Rich.

This "permission" or "tolerance" if you like would be with tough conditions so they look "well-controlled" by the outside world and with strict anti-money laundering procedures in place to prove this fact but "conveniently" without practically forcing them to sign any information exchange agreements with other countries or if they did so they would not be with terms as tough as competing jurisdictions.

So this would allow full confidentiality / anonymity status for the foreign investors.

If this were otherwise (no place to shelter the Very Rich) it would create very serious, multiple and complex problems including extremely heavy lobbying and other problems and complications with unforeseen consequences such as relocating of whole industries, interests and assets. This would seriously jeopardise the success of the project or at best slow it down considerably.

So this obstacle had to be overcome by choosing to create, protect and support at least one 'super safe haven' away from home and preferably in a different cultural setting to increase the difficulty of access and avoid proximity or affiliation to home (that would be provocative) for the 'Very Rich' and 'Big Business' where it would be difficult for the others without the knowledge or willingness to invest some money to access it. So the days when cheap, quick offshore "company and bank account' solutions were available to all are soon to come to an end and clients must be willing to pay more fees and expenses to enjoy the privilege of full confidentiality, safe banking and 0% tax. But at the same time in a highly developed locality where lifestyle, business and personal interests would coincide with a very low or zero tax regime, safe banking and full anonymity and confidentiality.

Of course another condition is that ALL, absolutely ALL International Financial Centres (except the 'Privileged Ones') should be forced to adopt the measures outlined in the previous paragraphs…

In other words, there is quite evidently in play a 'New Switzerland' strategy which pragmatically recognises that 'closing off' all possible exits is a strategy doomed to failure whereas one that leaves open one or two "controlled" exits (but not available to absolutely all and with '*controllable* barriers to entry') has a very high possibility of success, avoids the "Clash of The Titans" with the Super Rich and Powerful and becomes easier to implement.

What are the necessary characteristics of 'The New Switzerland' to be ideal to attract The Rich? Full advantages would exist for the persons with significant presence and personal and business interests locally in such a place:

- Friendly and advantageous tax and commercial regime with low or preferably no personal and corporate taxes and with 100% free repatriation, without restrictions

- Solid bank confidentiality with NO exchange of information agreements with any country

- Safe, sound and developed economy with significant natural resources and huge state liquid reserves and with significant growth prospects

- Mature, safe and well capitalised and regulated banking sector

- Existence of strong local banks without reliance from outside for business and preferably no foreign branches outside the Gulf Region

- Banking system that allows 24/7 online transfer capability and capability for large cash withdrawals

- Currency preferably pegged to the dollar to eliminate currency risks

- A regime that preferably prohibits unethical and/or high risk activities such as gambling, pornography etc.

- No social unrest, very low crime rate

- Abundance of top-end accommodation, marinas, entertainment, super-luxury lifestyle, world-class shopping

- A real business hub with significant commercial activity (not just a small island or state with just p.o. box / brass plated companies with no local presence or interests), abundance of top-end office space, abundance of staff and executives at all levels for employment

- World class health system

- Plenty of top international schools and universities at all levels

- Advanced telecommunications

- Air connections via a world-class airport with significant direct flight potential acting as a transit hub, at a convenient geographical position *between the old and the new world*,

- A convenient time-zone for business and finance,

- A good climate preferably sunny for most of the year and at a sea coast location

But most importantly, a political system with strong leadership that has the power to take decisions and implement measures quickly and effectively without facing *'political obstacles'* AND one that exercises 'self-restraint' and control so the system is not overused or abused by too many and:

- is not used by everybody but just persons that intend to have serious local business and personal interests and even then selectively at somewhat relatively reasonable numbers so as *not to create problems in other partner-friendly powerful countries*

- is not abused by large numbers just to get advantages without having REAL economic and commercial substance and economic contribution to that country

- having solid anti-money laundering regimes with rigorous due diligence procedures (know your client and know your client business) procedures from banks and corporate service providers and discouragement in opening personal or corporate bank accounts with parties that have no real personal or business interest locally

So who fits the bill, on all counts above?

The Verdict: The United Arab Emirates

The UAE and especially Dubai is the ONLY jurisdiction with all the above characteristics and following the demise of virtually all the other international financial centres and with last week's announced *fall* of Switzerland and Singapore it looks (with little doubt) that the UAE will the 'New Switzerland' and clients are advised to gain access before demand increases and the costs / barriers to entry escalate significantly.

Indicative of the success of The United Arab Emiratesis that the population rose from 95.000 (!) in 1963 to 8.5m today with significant increases during the last crisis too

(2003: 4m, 2009: 6.9m, 2010: 7.5m, 2011: 7.9m, 2012: 8.5m) and average annual population increase at around 7% the last yeas. **Impressive!**

What will happen next? The New World Order and Solutions – Strategies – Action Plan… The Unique Protection and Advantages of the United Arab Emirates!

We will see significant and increasing use of UAE Bank Accounts, Companies and Structures and physical relocation of individuals to Dubai although they may not necessarily live there permanently for the whole year but have it as a permanent base from which to base their travelling– This is the trend now for all the reasons outlined in this article.

Despite anti-avoidance efforts by the high-tax countries we expect continued use of popular jurisdictions such as Cyprus, Malta and Luxembourg with an increasing trend reflecting the increased needs and awareness of tax planning and asset protection techniques, especially through the increased use of the internet. In general terms, and for many reasons we will definitely see a continuation of the large-scale use of these extremely popular EU companies and structures such as Cyprus and Malta regimes which are exceptionally advantageous and cannot be matched by other EU jurisdictions BUT with more 'substance' and more careful planning going into the arrangements and a lot of control and anti-money laundering procedures. Also this is necessary as the Rich will need to invest *from the UAE* but via EU holding companies (Cyprus, Luxembourg and Malta).

But, especially Cyprus and Malta will be used with …the extra cash stored out of the EU and mostly in Dubai.

However, in the bank accounts of Malta and Cyprus companies, at least **until the Euro zone problems resolve,** and even well beyond (owing to EU Financial Crisis risks – deposit haircuts, EU information exchange regime) we would not expect to see preferences for maintaining large amounts in EU banks above 100.000 euro, which is the 'EU-guaranteed' limit.

UAE (Dubai) holding companies will be used(and other UAE company structures) extensively to ensure cash remains safely and with confidentiality outside the EU.

Very soon – sooner than we all think - the future will be such that….

(a) Information about beneficial owners of companies will be exchanged quickly across borders globally without major obstacles

(b) Personal bank accounts will only be possible in your country of residence and in another country/ies ONLY if you have personal interests in that other country/ies that can be attested (e.g. property)

Note: *so we will need for example to buy some real estate in a "favourable country" (Side note: Dubai real estate is an opportunity in this sense as prices are up by more than 10% from since last year) to get a personal bank account or to set up a local company to get an investor residence VISA (e.g in Dubai/UAE a 3-year renewable* *residence VISA is given as a bonus with the setup of a Dubai / UAE Free Zone Company!)*

(c) Corporate bank accounts will only be possible in your country of residence and in other countries ONLY if you have business interests that can be attested (e.g. a branch or other establishment)

Note: *to get tax benefits that last, with anonymity and security, we might need for example to set up a local company – independent or branch of main company - in a "favourable country" to do business, hold or protect assets BUT this company must have at least:*

> *- commercial ad economic substance (operate as a normal company with normal – not suspicious - activities AND presence in organized trade areas or Free Zones – like Dubai / UAE Free Zones that are tax-resident for double tax treaty purposes, not in P.O. Boxes and with premises or at least "flexi-office" presence with full contact means – email, telephone etc.)*
>
> *- full management and control in the other country*

The appropriate use of a Dubai / UAE Offshore Company (for anonymity / holding activities or trading where possible) combined with an Onshore Tax Resident Free Zone Company should achieve these objectives effectively.

(d) Due to the above

- If you are an individual and live in a high tax or otherwise unpleasant country your ONLY option to save your assets and avoid huge tax bills, inheritance and other personal taxes will be to physically relocate to another country with more favorable conditions (Dubai – see below) … but beware of your local tax laws on exit as there might be penalties/restrictions!!!!

- If you are a business / corporation / businessman / professional / freelancer and live in a high tax or otherwise unpleasant country with also risks of bank deposit or other asset haircuts your ONLY option to save your assets and avoid huge tax bills will be to relocate ALL or PART (in phases) your business and assets in a real way relocate to another country with more favorable conditions (Dubai – see below). EU companies will still be used for activities within the EU and need for EU VAT number and presence but probably under a foreign (UAE probably) holding company to "store extra cash" or as part of a larger international tax structure.

- OR BOTH!

(e) BUT…. Be Careful! This will not be for all! It is only natural that with a few good choices left for safe jurisdictions (one really in my opinion) the demand in such places will increase and in 1-2 years it might be difficult to get easy and quick access.

The Evidence - The Situation in the World Now… in "The Hunt for the Moderately Rich"

- Risks for the EU jurisdictions for BANK BALANCES > 100.000 EURO guaranteed limit (starting with The Cyprus Bank Deposit "Haircut") and serious information exchange risks within the EU…

EU Tax Summit backs US-led drive to tackle banking secrecy through automatic exchange of information without court orders.

- Death of the Far East Centers …Singapore and Hong Kong (note what is now happening in Singapore is already in place in Hong Kong)

Singapore banks forced to close accounts of foreigners… by 1 July 2013! (SINGAPORE "SHOT" DEAD BY THE EU/USA)

Singapore's Ministry of Finance Announcement on the New Measure - Deadline 1 July 2013 INFORMATION EXCHANGE WITHOUT COURT ORDERS!

- Death of the Centres within the EU's Sphere of influence / Geographical Proximity (Monaco, Switzerland, San Marino, Andorra, Lichtenstein)

See the EU's attack just a few days ago … forcing them to exchange information without court order…EU forces friendly non-EU countries (Switzerland, Monaco, Andora, Lichtenstain, San Marino) to exchange information on on tax evasion

- Death of the Rest …. Already certified by FATF, OECD and EU's Black lists AND mandatory Information Exchange Agreements with the EU / US and other countries

5. Who is still standing on the planet? And who, for very good reasons will keep, going forward, the top position as **"The New Switzerland" for the Global Elite?**

The United Arab Emirates!

(Dubai / UAE)

Read a prophetic past article about Dubai that is very illuminating:

Click Here to Access the Article

…0% tax with free repatriation

…Safe and sound local (and international) banks not dependent on the West and Safe and sound Economy (oil, $1 trillion SWF)

… Full Bank and Trust Confidentiality with NO exchange of Information Agreements with ANY other country

AND most of all a practical "Quota" system NOT allowing small fry to use the jurisdiction but is selective and avoid abuses - other countries failed miserably on this before (Switzerland)

BUT this means we should expect (given increased demand) it might get harder to gain access, pressure from outside for stricter controls on money laundering, much longer company and bank account setup times (3-6 months!), higher minimum deposit required in banks and longer screening process, higher real estate and cost of living / operations prices etc. So there is a need to move as early as possible IF he is planning such a move!

Conclusion

Given the 'dangerously worsening' economic crisis (debt, banking, fiscal and financial crisis) in the EU it would seem quite reasonable to seriously consider ways to take advantage of the UAE incentives and even relocate there part or all of their business and personal interests or as an insurance to at least establish and maintain a 'base' in the UAE in order keep assets there in safety and away from EU or 'Old World' risks such as unreasonable taxes, information exchange risks and bank deposit haircut risks.