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GLOBAL VIEWS

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The World Gets Smaller

For many offshore companies, offshore bank accounts have provided a veil of secrecy for years. One problem which more and more expats report is the fact that by having a legitimate offshore account, even in locations such as Isle of Man or Channel islands, suddenly people think you are a tax fraud whether you are or not.

Now if you are multi-millionaire hiding money from the taxman the fact that someone suggests to you that you are some kind of fraud is, perhaps, acceptable. However, if you are an honest hard working expat who happens to have an offshore account simply because that is the sensible solution to your banking needs, that is another thing altogether.

The fact of the matter, as if we don't need reminding, is the world is getting smaller and far more information is being shared between tax authorities around the world.

Latest news is that The Cayman Islands, for years a safe haven for supposedly ill-gotten gains, is to share its secrets. It has agreed to provide information on the owners of offshore companies and bank accounts to both the US and the UK.

Now it is highly unlikely that this news will cause any problem for any of our readers. However, what it is leading to is the fact that nothing is safe from the prying eyes of the taxman. Add to that the aggressive attitude and action which in particular the UK HMRC is taking against anyone having associations with UK, and not paying tax there, and we should all be at least a little concerned.

Critical to the issue is tax residency. Just because you work abroad for the majority of the year may still mean that you are tax resident in the UK. There remains a common misconception that if a UK resident spends less than 90 days in the UK they become non-resident, wrong. Make sure you get this right. Becoming resident in another country may also make you liable to tax in your new country.

Spanish tax residence involves considering the expats centre of economic interests. In France tax residence states that if the expats property is his main residence, and or he spends more than 183 days a year there, he is resident. In Cyprus you are tax resident if you spend more than 183 days a year there.

It all comes down to one thing, everyone, especially expats are increasingly under a microscope to ensure they pay their fair share of tax.

Retirement

There is a constant deluge of information telling people, what most of them know, and many choose to ignore, retirement is expensive, and comfortable retirement very expensive.

HSBC reckon that over 20% of people retiring see their income reduce by over half. Many believe that this is the tip of the iceberg. The figures produced are often based upon UK employees, whether resident within UK, or as an expatriate. What is rarely calculated is the effect upon expatriates who often are not eligible for a company pension. This group of people, and there are many, face even greater hurdles.

Many of us had a dream of retiring early, I can recall many occasions when speaking with clients that the age 50 was often quoted. How times have changed, now with basic retirement ages in many countries rising to 65 and beyond (for men), things have changed.

Financing retirement is complex and intricate. Pre-planning is absolutely essential. Sometimes this may involve an element of tax planning, depending upon jurisdiction.

Some basic rules, which if adopted could help you avoid what for many will be inevitable.

- Where possible begin saving from a young age
- Ensure you save enough, enough is sometimes reckoned to be when it hurts to pay, you know its enough
- Have regular reviews
- Asset allocate and review that asset allocation at a risk level you are comfortable with and understand
- Even if you think it's too late, it may not be, have a review and consider all your options

A survey of why so many people at retirement age have shortfalls revealed that the largest percentage was simply due to the fact that they had failed to plan effectively.

Other reasons were, financing children, still paying off debts, not receiving expected inheritances. Finally, the sector that simply ran out of money in retirement, as we are all seemingly living longer!

The conclusion of the report was that we must all take an increased responsibility for our retirement.

Mo Runs From GB and Not For It

Mo Farah has become yet another British athlete who has left the shores for a foreign land and a more benign tax regime. He joins many others such as Paula Radcliffe who lives in Monaco. Farah has sought the sanctuary of the US.

Farah, whose sponsors include Nike, Virgin, Lucozade amongst others was paid £250,000 for running half the London Marathon, is reckoned to be the second richest athlete in the world behind Usain Bolt

It is not just athletes who suffer from UK tax, it would appear that the allure of Premier League Football may have faded as six figure weekly wages are reduced by tax, making other countries perhaps more attractive from an earning perspective.

Other celebs have also been caught in the cross hairs of HMRC, with the exposure that Jimmy Carr, following advice invested in what was to become an illegal scheme, has paid HMRC £500,000 to clear the affair.

For years Brits have become rich and famous and left the shores of UK. In the 60s there was the “brain drain” as tax rates impinged upon the ability to make money, and the likes of Sean Connery, Roger Moore, Shirley Bassey and Phil Collins to name a few have taken up residence in Switzerland.

Perhaps a classic case was the writer of The Clockwork Orange, Anthony Burgess, who resided in a motor home, travelling between countries so as to avoid becoming resident anywhere. Nowadays it would be likely that HMRC would simply say you are doing this to avoid UK Tax, so you have to pay it anyway!!

Global Tax Coffers are Filling at a Faster Rate

As an expat you may be paying less tax, or perhaps you are paying no tax, but generally governments are receiving more tax revenues than at any time since the recession began according to the Organisation of Economic and Development (OECD).

The OECD has calculated that on average governments generated 34.6% of GDP in 2012 (the latest records) up from 33.8% in 2010.

Taxpayers in countries such as Greece, Hungary and Italy saw rises, whereas countries such as Israel, Portugal and Britain saw reductions.

Places not to be; Denmark, Belgium and France, to name a few, with tax revenues as a percentage of GDP being almost 50% in Denmark and just under 44% Belgium and France.

The most rapid increase from Turkey up almost 3%, and if you want to move to the lowest rates then try Chile or Mexico at about 20%.

Overall the OECD report that we can expect to see increases in most countries, so be warned.

Making a Will

You may have a will in your home country, but do you have one in your host country? If you are an expat living in foreign shores you need to establish your affairs in case of death.

Clearly the death of a father, mother, partner, husband or wife can be a very difficult time, and we would suggest the last thing we would want to do is to make that time even more difficult. Having affairs in order should be a priority. In many partnerships, be that husband and wife or otherwise, one person takes the reins for the financial affairs, frequently when it is husband and wife, it is the man, and frequently the spouse will not even know passwords on accounts, or where the savings are, where the life assurance is, and all too frequently, there is no will.

If a person dies in Islamic countries there is even the risk that assets held in that country may come under Sharia Law. This could possibly mean that if the husband dies, the widow may not receive the estate, but it would pass to the other members of the family.

Thus in essence you should hold a will in your host and home country; this will ensure that your assets will end up where you wish them to, and not according to an archaic set of rules.

Take advice and act upon that advice. Ensure your affairs are in order, not just too perhaps mitigate tax liabilities, but also to ensure that your estate goes to the people you would wish it to. Make sure that your partner knows where money is invested, how to access bank accounts, and where all the necessary documentation is held.

Warning

We are certain that none of the readers of this publication would ever buy something, which was “too good to be true”. Nor would they fall for a trickster who called them out of the blue with an amazing offer! However, just in case.

The latest scam, Graphene, it is a man-made compound derived from carbon that IT and technology firms are expecting will become the material of choice for display screens, batteries and electrical circuits.

However, Financial Conduct Authority fraud investigators uncovered plans to fleece investors with a new scam involving graphene when they raided a suspected bogus share firm.

Computer records showed firms involved in carbon credit frauds, cheating investors with land banking cons and rare earth scams were setting up a new venture to swindle investors involving graphene.

“We have had reports that callers promoting graphene investments are using dubious, high-pressure sales tactics and targeting vulnerable consumers,” said an FCA spokesman.

“There is a strong possibility of fraud with graphene because it is unregulated and it is difficult to confirm that you have bought the genuine product

Just so you know!

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The unique feature of this 70 equity fund is that the holdings in the shares is rebalanced monthly which provides upper quartile performance over all time periods in the last 10 years.

Please contact us for more information and factsheets.

The Comparison: 10 Years
Jan 2003 – August 2013

INDEX	INDEX PERF.	STRATEGY PERF.
SMI	175.15	237.64
CAC	133.90	176.99
IBEX	139.39	229.87
FTSE	179.76	212.69
OMX	236.68	256.46
DAX	209.75	203.25
MIB	74.99	77.58
	1149.62	**1394.48**

10 of 7 EUROPEAN EQUITIES FUND

DIFFERENCE

+ 34.98%

The Indices

- Switzerland -The Swiss Market Index (SMI)
- Sweden - The OMX Stockholm (OMX)
- Italy - The FTSE MIB (MIB)
- Spain – The IBEX 35 (IBEX)
- UK – The FTSE 100 Index (FTSE)
- Germany – The DAX Index (DAX)
- France – The CAC 40 (CAC)

Buying a Property Abroad - Spain

Buying a property in another country for holiday let, or for part or full time residence, is the dream of many people. Clearly in the past banks have been more than willing to advance monies against ever increasing values of a main residence. However, in recent times, banks are not keen to lend on anything, and many countries property values are at best stagnant, at worst depressed. However, notwithstanding those issues, the purchase of overseas property continues, albeit at a reduced rate.

There are various issues with different countries, which buyers should be aware of, and this article and future articles will focus on one particular country. This is not intended to be a definitive guide, but will perhaps help any proposed buyers in their selection process.

Spain

Spain enjoys a wonderful climate for those people used to the "gloom" of the climate within Northern Europe in particular. You can expect, generally, the vast majority of the time for the weather to be sunny. In fact statistically around 300 days in a year.

Spain as we are certain you are aware enjoyed a huge property boom, until the crisis hit. As with many bubbles there will be people who bought at the top, who simply cannot afford to sell at the bottom. Banks have huge outstanding books of bad loans against property, thus bargains are available. It is very much a buyers' market.

One aspect, which any prospective purchaser should take on board, is the fact that the Spanish Government in their need to raise revenues are exploring every avenue available. Thus, whereas a few years ago the tax regime was relatively relaxed, it is now getting tougher.

Spain has excellent infrastructures, good motorway network, and health services, but health services, under the strain of central governments cut backs, have been known to refuse healthcare for expats, without up front payment.

The Buying Process

There have been a number of high-profile legal issues with property in Spain, notably Valencia's notorious 'land grab' laws, which saw a number of homeowners facing hefty fees and even having their homes demolished because they were built on land that was later claimed for further development. However, the European Court has ruled this practice illegal and is pursuing the Valencian government through the courts.

You may well be offered the services of a Spanish Abogado (lawyer) through the vendor of a property, particularly with large developers. The advice is to seek your own independent legal advice, as there is an obvious conflict of interest when using a lawyer representing both the buyer and the seller of a property.

Take great care with the legal issues within Spain, ensure you document all the details, and ensure that both you and you lawyer are totally comfortable that you can secure good title, and that there are no queries or elements of doubt.

It is not an inexpensive exercise buying in Spain, be prepared to add around 12% to the actual purchase price to account for fees and expenses.

Top Locations

Traditionally The Costas, Costa del Sol and Costa Brava and all surrounding areas have been popular with expats. Many of us may have holidayed in Marbella, Benidorm and the like. If you are seeking a Buy to Let, these may offer the best potential on mainland Spain. Equally the islands, in particular Majorca remains very popular, both as a buy to let and for permanent residence. Spain is the third most visited country in the world, and remains very popular with the British and French.