

Compliance in wealth planning

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The end of banking secrecy changed wealth planning as profoundly as it changed private banking. Structures that once served to conceal assets from tax authorities are now reported under the automatic exchange of information. The Common Reporting Standard requires financial institutions to look through trusts, foundations and companies to identify their controlling persons and beneficiaries, and to report them to the authorities of their countries of residence. The European Union's directive on mandatory disclosure of cross-border arrangements, known as DAC6, requires intermediaries in the European Union to report certain arrangements that bear hallmarks of aggressive tax planning.¹ Switzerland has not adopted DAC6, yet Swiss advisers who work with intermediaries in the European Union must take it into account.

The modern wealth planner therefore works on the assumption that every structure will be visible to the tax authorities of every relevant country. What matters today is whether a structure is lawful, appropriate and properly declared in every country concerned, because concealment has ceased to be an option. This shift has made wealth planning more demanding and more honest. It has also increased the value of advice, because the cost of a mistake is now borne openly by the family in the form of taxes, penalties and, in some cases, criminal proceedings.

1 Notes

1. On the treatment of trusts and foundations under the CRS (controlling persons, reporting of settlors, trustees, protectors and beneficiaries) and Council Directive (EU) 2018/822 (DAC6) on mandatory automatic exchange of information in relation to reportable cross-border arrangements, see the OECD and EU publications. To be verified. ↩

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