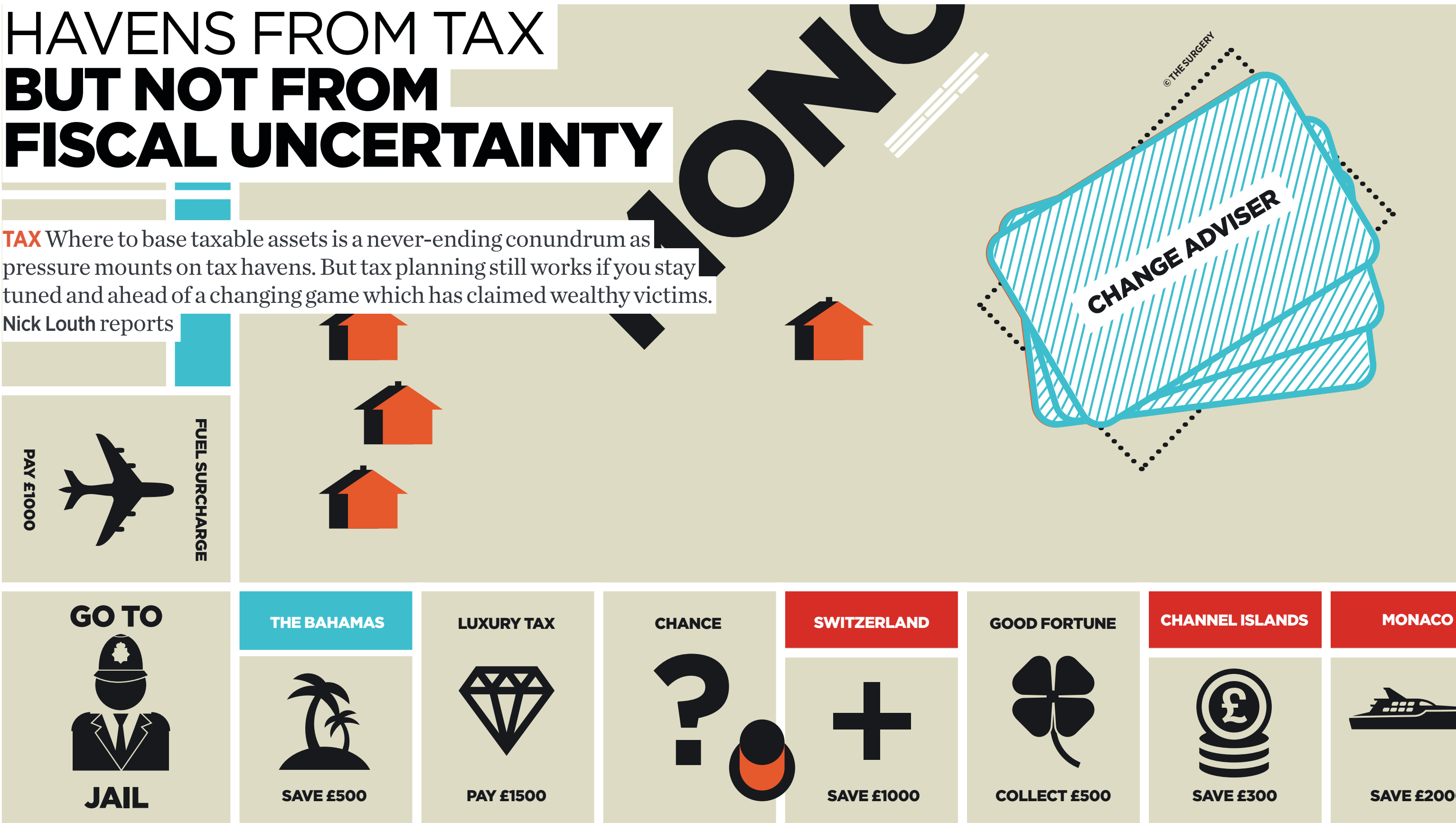
HAVENS FROM TAX **BUT NOT FROM FISCAL UNCERTAINTY**

TAX Where to base taxable assets is a never-ending conundrum as pressure mounts on tax havens. But tax planning still works if you stay tuned and ahead of a changing game which has claimed wealthy victims.

Nick Louth reports



If a tax haven is seen as an offshore hiding place for undeclared cash earned elsewhere, its days are numbered. The process of exposing the hidden labyrinths of international banking began with the war on drug cartels in the 1980s and 1990s, intensified after 9/11 in the search for terrorist cash, and continued in financial embargoes on states such as Iran. It is much easier to chase money flows than it used to be.

Add to that the global financial crisis which trashed bank reputations and trust, the ongoing sovereign debt crisis and the debate over who pays to solve these crises. There is now intense pressure for the wealthy to be open about where their money comes from and to contribute more of it in tax. With

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Switzerland agreeing to withholding taxes as the price of retaining banking secrecy, and public calls for higher taxes on the wealthy by billionaires like Warren Buffett and L'Oreal heiress Liliane Bettencourt, it is clear that the zeitgeist has changed

"The G20 is trying to legislate against undeclared 'grey money'. The banking system is tightening and those with [hidden] money won't be able to transfer it because receiving banks won't be able to accept it," says Professor Robert Anthony, principal at French financial advisers Anthony & Cie.

However, the term tax haven is very loose. So long as governments want to attract the wealthy for their spending power, as long as they seek the job-creating power of big-league

Where to move your money should not be a game of chance

entrepreneurs, there will be competition among tax jurisdictions to be friendly to openly-declared wealth. The increasing mobility of the rich intensifies this trend.

"One of the most interesting things is the borderless nature of the ultra-high-net-worth individual," says Duncan MacIntyre, head of Coutts Private Office in London.

Nowhere illustrates the contrast better than Switzerland. The United States, Germany and Britain have all recently wrung concessions from Switzerland regarding thousands of citizens of the three countries who are hiding taxable assets there.

But simultaneously, there are thousands of UK nationals who are moving openly to Switzerland for tax reasons, including the 50 per cent UK income tax rate introduced in 2010.

"We're seeing a big increase in people who are moving to Switzerland and other jurisdictions, like France and Monaco," says Graeme Perry, a tax partner at Sykes Anderson LLP. Many of those heading to Switzerland were moving financial services businesses there too, which gave additional tax advantages without making it any more difficult to keep trading or in contact with colleagues in London or elsewhere, he adds.

Those arriving in Switzerland from the UK are certainly not going to disappear for tax purposes. They need a visa, which puts them on the local tax radar quite early. The Swiss have a double taxation treaty with the UK which gives an amount of certainty compared, say, with Monaco. Those relying on keeping the number of days they spend in the UK to the 90-day limit have recently found those rules less reliable.

"The UK is taking quite a hard line on domicile. If you have family here or property here [and even if you keep within the 90 days' limit] you can still get caught out," Mr Perry says.

Just last year, an Appeal Court judge ruled that Robert Gaines-Cooper, who had lived in the Seychelles since 1976, had failed to demonstrate that he had broken his ties with the UK despite never breaking the 90-day domicile rule for time spent here. Mr Gaines- Cooper may face a £30-million tax bill because the judges held that he had retained a mansion in Oxfordshire as his main family residence.

Those seeking the best in low taxation always have to be aware that not only do rules change, but interpretations change too. Rules normally aren't retrospective, but interpretation can be, as Mr Gaines-Cooper has discovered.

The decision on whether to move abroad or shift wealth abroad often depends on changes in tax rules at home.

"Though we are tax advisers, tax shouldn't be your top priority. You have to consider whether you can live in a particular country, especially if you still have family in the UK," says Mr Perry.

A-Z OF TOP TAX HAVENS

ANDORRA
A small Pyrenean country, Andorra reserves its best tax rates for residents. They only have to pay municipality taxes, plus a 10 per cent capital gains tax. There is no income tax, inheritance tax or capital transfer tax. Foreign residents have to pay 10 per cent tax on locally sourced income.

THE BAHAMAS
For $150,000 you can get permanent residency in the Bahamas, which allows you to avoid paying tax on overseas income. Not as expensive as Monaco, but pricey enough, it has the climate and beauty to attract more than the odd flying visit.

CAYMAN ISLANDS
No income tax, sales tax, capital gains or estate taxes – no wonder the Cayman Islands is a favourite place to leave assets. But despite the profusion of brass plates for companies registered there and the fabulous climate, not many rich-listers live there.

CHANNEL ISLANDS
Despite taxing residents on worldwide income, income tax rates in Jersey compare favourably to those in the UK. However, it is for basing trusts and collective investment groups that the island has traditionally been favoured.

CYPRUS
An excellent bolthole for well-off pensioners because it has only a 10 per cent maximum tax rate on pension income. Already popular with Brits.

HONG KONG
A huge trading and financial centre on mainland China's doorstep, Hong Kong has banking secrecy, low taxes and a freewheeling culture.

ISLE OF MAN
More convenient than the Caribbean, if you don't mind the weather, the Isle of Man makes a useful business base, as well as having a tax liability capped at £115,000 whatever you earn around the rest of the world.

MONACO
Home to the super-rich for decades, Monaco still has everything the billionaire needs. Legal residents do not pay any personal income tax whatsoever. With good connections to Europe's financial hubs, this tiny state of 35,000 people has much to offer – to those who can afford it.

SINGAPORE
If Swiss banking secrecy looks precarious, try Singapore. One of the world's fastest growing financial centres, Singapore's relaxed business environment is firmly based on business and wealth-friendly tax rules.

SWITZERLAND
Despite attempts to break open banking secrecy, Switzerland still has much to attract the wealthy. Quite apart from low tax rates, it has one of the world's strongest currencies which makes this mountainous country a rock of wealth preservation in more ways than one.