

## Friendlier fiscal regimes tempt the wealthy



By Sharlene Goff

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High earners who will be caught by the 50 per cent income tax rate next year are weighing up the benefits of relocating abroad – as they fear that last week's Budget announcement could usher in an increasingly punitive tax regime.

Financial advisers say the announcement of the new rate has triggered a wave of interest from wealthy clients in moving to another tax jurisdiction. Those earning more than £150,000 will have to pay 50 per cent income tax on earnings above that level from next April. This extra liability means many other countries – and not just traditional tax havens such as Switzerland and Monaco – now look more attractive than the UK.

Figures from Deloitte show that, for a business owner earning £250,000, the UK is now more expensive than Ireland, the US, Singapore, Hong Kong and Germany, as well as offshore tax havens. Entrepreneurs, business owners and retirees, some of whom have also been hit by the non-domicile charges, are now thinking seriously about leaving the UK.

"People who before were willing to stay are now suggesting they would like to move," says Karina Challons, director of the specialist tax group at HSBC Private Bank.

"It is too early to say how many will actually go, but more people are thinking about it." She says some clients are concerned that the tax rises may not stop at 50 per cent. "The top rate went from 40 per cent to 45, now to 50 and maybe it could go even higher."

People who run their own businesses in the UK also fear it will become too difficult to attract new staff here.

"Entrepreneurs may find they are fairly easily able to transfer somewhere else," says Mike Bussey, chief executive of Arbuthnot Latham, the private bank. "Tax in the UK has got to a level that means they can go beyond the usual offshore locations. Other jurisdictions that hadn't been given much thought now come into play."

But which regions offer the best deals?

### Far East

Singapore and Hong Kong offer more favourable tax regimes than the UK, while Dubai does not charge income tax at all. Singapore only taxes money earned in the country, and at a lower rate than the UK. So, individuals relocating to Singapore can leave their investments in the UK or in overseas accounts and only pay tax on their local salary.

Alex Henderson at PricewaterhouseCoopers, the professional services firm, says these areas were attractive before the UK's latest income tax rise and he expects more people will look closely at them now.

### Europe

Switzerland operates a "forfeit" system, whereby wealthy individuals agree the tax they pay with local authorities. The amount depends on the area they live in – Geneva is more expensive than Zug, for example – and their level of wealth. As long as people do not work in Switzerland, they are not charged income tax.

Those with considerable wealth can also avoid income tax by relocating to Monaco. However, the extremely high property prices and cost of living could be prohibitive for all but the super-rich.

Other western European countries may now look more attractive than the UK from an income tax perspective but there are other issues to consider. France, for example, charges a wealth tax – a percentage fee on residents' entire asset portfolio if they have a certain level of net worth.

### Channel Islands

Jersey and Guernsey charge income tax but at a much lower rate than the UK. However, it can be difficult to obtain residency. People relocating to the islands also have restricted access to the property market.

Advisers say it is generally easier for people to relocate if they are no longer working. Some countries charge higher taxes on money earned within their borders, and it can also be more difficult to conduct business from outside the UK.

Other issues to consider when moving overseas permanently include the cost of living, education and the strict rules that must be followed to remain exempt from UK taxes – such as only returning for a maximum of 90 days per year.

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