



GLOBAL PRIVATE CLIENT SERVICES

TRANSPARENCY IS THE NEW GREEN

What does this mean for you?

CONTENTS



PAGE 3

THE CHANGING REPORTING LANDSCAPE

PAGE 5

WHAT IT MEANS FOR FINANCIAL INSTITUTIONS



PAGE 8

WHAT IT MEANS FOR TAXPAYERS

PAGE 14

WHAT IT MEANS FOR WEALTH PLANNERS

PAGE 15

KEY QUESTIONS AND ANSWERS



PAGE 16

HOW BDO CAN HELP

PAGE 17

OUR SERVICES

THE CHANGING REPORTING LANDSCAPE

In the past, financial secrecy and banking secrecy were common. Cross border tax frauds and tax evasions by high net worth individuals were serious problems for many jurisdictions. But, the world has now changed. Once we hit 2017, the banking secrecy clause will be nothing more than a memory. The reality is that a new transparent world is emerging. Countries all over the world will soon combat tax evasion and reveal hidden offshore tax non-compliance through the application of Automatic Exchange of Information (AEOI).

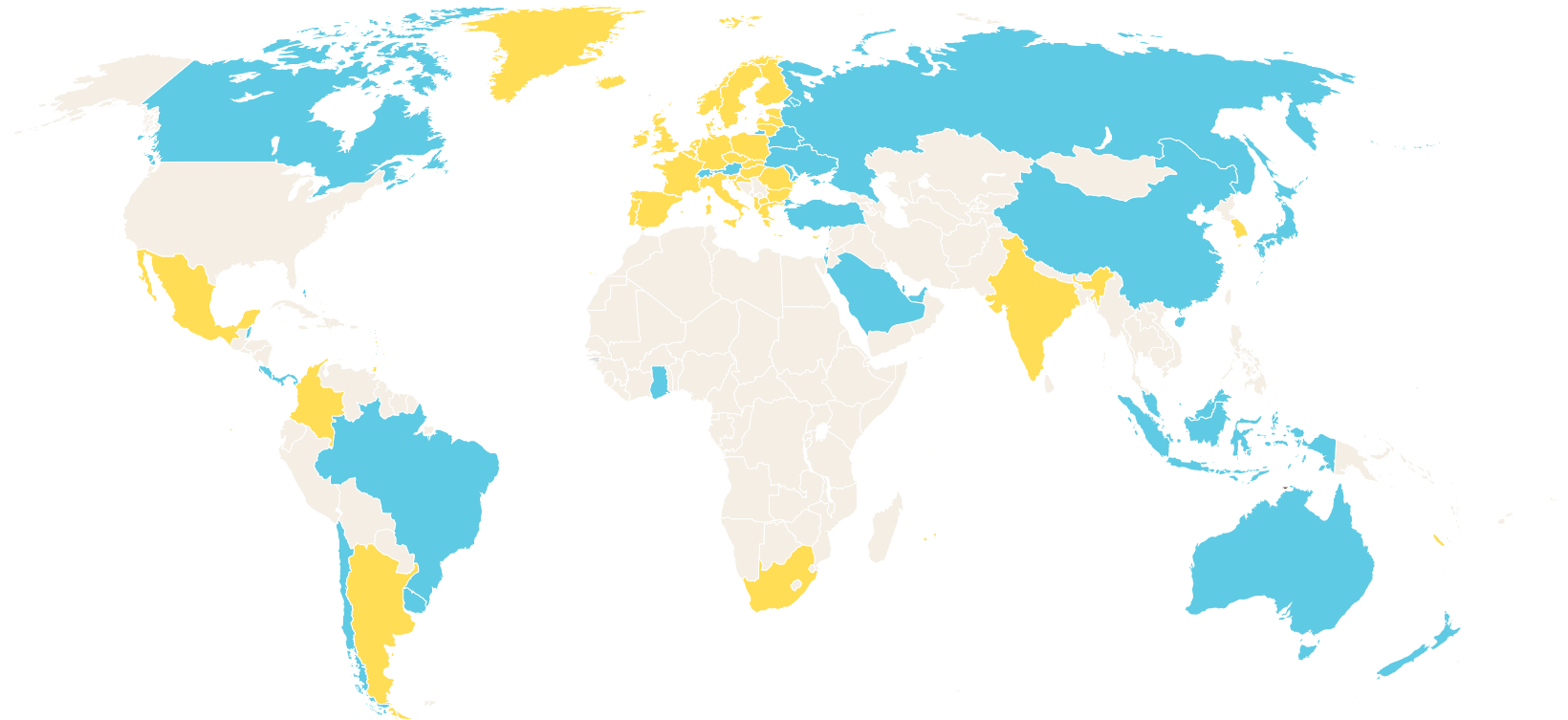
As of 1 October 2015, almost 100 jurisdictions have committed to implementing the Common Reporting Standard (CRS). Of these, 56 are 'early adopters'. Financial institutions in early

adopter countries will be required to implement the CRS from 1 January 2016, with the first reporting and exchange of information taking place in 2017, in respect of the 2016 calendar year. The majority of the remaining jurisdictions will implement the CRS with effect from 1 January 2017, with a small number of delayed implementations until 1 January 2018.

This is changing the game of international private wealth planning. There will be less places to hide assets and the era of financial secrecy and banking secrecy is definitely over.



A COMMON REPORTING STANDARD ACROSS THE WORLD



JURISDICTIONS EXCHANGING DATA BY 2017

| | | | | |
|------------------------|----------------|---------------|-------------|--------------------------|
| Anguilla | Cyprus | Guernsey | Luxembourg | Seychelles |
| Argentina | Czech Republic | Hungary | Malta | Slovak Republic |
| Barbados | Denmark | Iceland | Mauritius | Slovenia |
| Belgium | Dominica | India | Mexico | South Africa |
| Bermuda | Estonia | Ireland | Montserrat | Spain |
| British Virgin Islands | Faroe Islands | Isle of Man | Netherlands | Sweden |
| Bulgaria | Finland | Italy | Niue | Trinidad and Tobago |
| Cayman Islands | France | Jersey | Norway | Turks and Caicos Islands |
| Colombia | Germany | Korea | Poland | United Kingdom |
| Croatia | Gibraltar | Latvia | Portugal | |
| Curaçao | Greece | Liechtenstein | Romania | |
| | Greenland | Lithuania | San Marino | |

JURISDICTIONS EXCHANGING DATA BY 2018

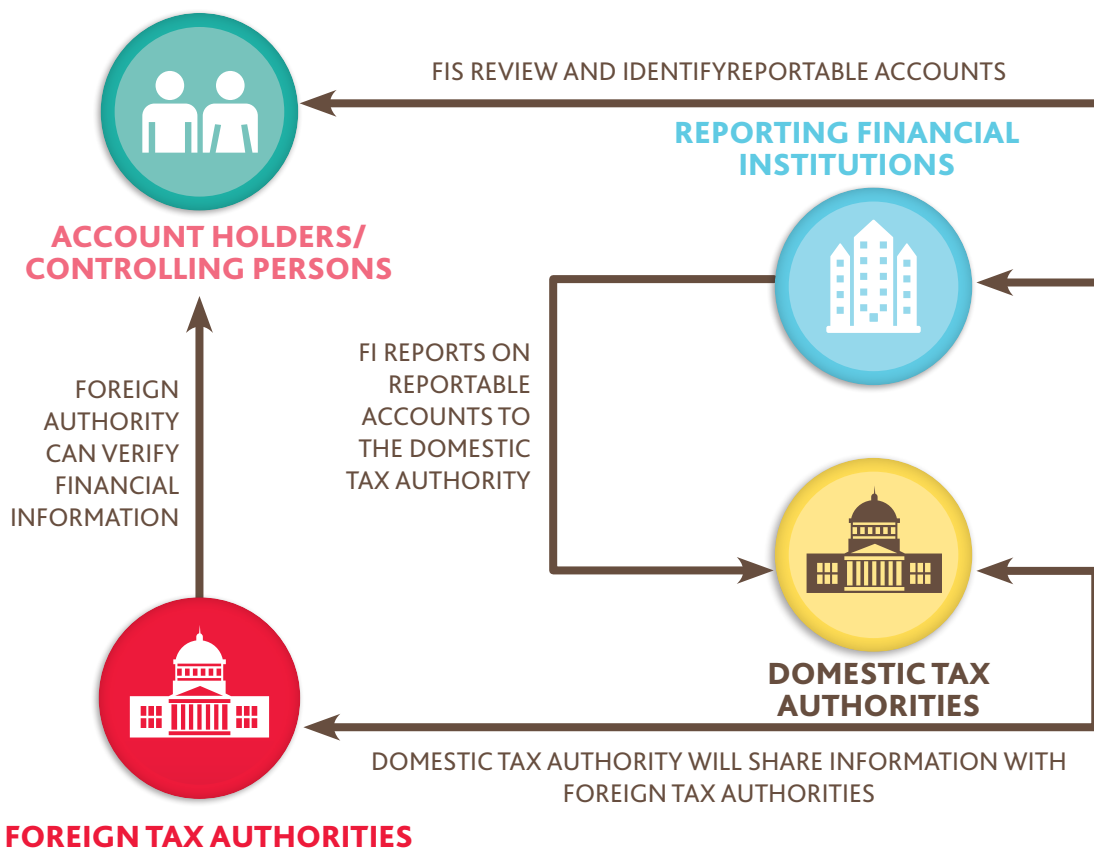
| | | | |
|---------------------|-------------------|----------------------------------|----------------------|
| Albania | China | Monaco | Sint Maarten |
| Andorra | Cook Islands | New Zealand | Switzerland |
| Antigua and Barbuda | Costa Rica | Panama | Turkey |
| Aruba | Ghana | Qatar | United Arab Emirates |
| Australia | Grenada | Russia | Uruguay |
| Austria | Hong Kong (China) | Saint Kitts and Nevis | |
| Bahamas | Indonesia | Samoa | |
| Belize | Israel | Saint Lucia | |
| Brazil | Japan | Saint Vincent and the Grenadines | |
| Brunei Darussalam | Marshall Islands | Saudi Arabia | |
| Canada | Macao (China) | Singapore | |
| Chile | Malaysia | | |

WHAT IT MEANS FOR FINANCIAL INSTITUTIONS

The adoption of the CRS will place significant responsibilities on the Financial Institutions (FIs) in the participating jurisdictions. Communicating effectively with the clients will be a key to managing these new responsibilities. These FIs comprise not only the banks but also include trusts, brokers, funds, and private foundations. Under the CRS, all tax residents of the reporting jurisdictions will have to be identified and information pertaining to their bank accounts and financial assets will have to be reported on a yearly basis. The FIs will have to ensure that

their client data is updated while keeping the integrity of their IT systems, procedures, and policies well-maintained for the ongoing due diligence, and annual reporting.

Regardless of the countries in which the clients live in, resolving any tax discrepancies upfront or simply explaining their overseas assets to the tax authorities before the new reporting takes effect is always likely to be the best option.



REPORTABLE ACCOUNTS

TEST 1

Is the Account Holder a Reportable Person (i.e. an individual or entity resident in a Reportable Jurisdiction)?

YES

Reported in relation to the Account Holder

NO

Not reported in relation to the Account Holder

TEST 2

Is the Account Holder a Passive Non-Financial Entity (NFE) with Controlling Persons that are Reportable Persons?

YES

Reported in relation to the Controlling Persons

NO

Not reported in relation to the Controlling Persons

DOCUMENTATION

| Type of account | Due diligence requirements to determine tax residency / reportable accounts |
|--|--|
| <p>Individual accounts <i>(no De Minimis threshold!)</i></p> <ol style="list-style-type: none"> 1. Pre-existing low value individual accounts (i.e. under USD 1,000,000) 2. Pre-existing high value individual accounts 3. New individual accounts | <ul style="list-style-type: none"> • Permanent residence address test • Electronic records' search for indicia • Paper records' search • Actual knowledge test by relationship manager • Self-certifications • "Reasonableness test" |
| <p>Entity accounts</p> <ol style="list-style-type: none"> 1. Pre-existing entity accounts (USD 250,000 threshold is applicable, subject to local approval) 2. New entity accounts for financial institutions | <ul style="list-style-type: none"> • Review place of incorporation or organization as well as the address • Determination whether the entity is a Passive NFE with one or more Controlling Persons, who are Reportable Persons • Self-certifications |

WHAT IT MEANS FOR TAXPAYERS

Taxpayers of participating jurisdictions with financial accounts held in FIs in other reporting jurisdictions will have to adapt to the abolishment of financial secrecy and banking secrecy to anticipate that such information will be reported and readily exchanged between the relevant tax authorities. As this information will be cross-checked with the information filed in local tax returns, any mismatches may trigger tax audits, assessments raised and imposition of penalties. In serious cases, it may even lead to tax fraud prosecutions.






Tax residents of participating jurisdictions therefore have to check with their tax advisors if all foreign accounts and related income have been properly disclosed under the local tax disclosure requirements.

It is now time to regularise the past, and to restructure existing investments. Taxpayers may have to initiate voluntary disclosure of assets and income to the local tax authorities. In some countries, under local Tax Amnesty regimes, such voluntary disclosures will help to mitigate taxes, penalties and the risk of criminal proceedings. For investments held via offshore personal investment companies may need to be modified or restructured to trusts or foundations to establish distance in control while other taxpayers may decide to migrate to lower tax jurisdictions.

For these taxpayers, the need for specialist tax advice has never been greater. All around the world, tax legislation is becoming more complex. As a result, the tax authorities are hardening their attitudes to tax avoidance by stepping up on tax investigation. When the stakes are so high, poor or ill-conceived tax advice or compliance can have devastating effects.







TAX RESIDENCY TEST






| COUNTRY | TAX RESIDENCY TEST FOR INDIVIDUALS | | TAX RESIDENCY TEST FOR ENTITIES |
|--|---|---|--|
| | QUANTITATIVE (NO. OF DAYS) | QUALITATIVE | |
|  Australia | 183 (unless usual place of abode elsewhere) | <ul style="list-style-type: none"> • 'Reside' in Australia; or • Domiciled in Australia, unless permanent abode elsewhere; or • Member of government pension plan | <ul style="list-style-type: none"> • Incorporated in Australia; or • Carrying on business in Australian and central management and control in Australia |
|  Brunei Darussalam | 183 | N/A | <ul style="list-style-type: none"> • Incorporated in Brunei Darussalam |
|  China | 90 (consecutively or cumulatively within a tax year and without a domicile in China for Chinese employment income paid from outside China ¹) | N/A | <ul style="list-style-type: none"> • Established in China; or • Effective management in China |
|  Hong Kong | 180/ 300 (over 2 consecutive years) | <ul style="list-style-type: none"> • "Ordinarily resides" generally means having a permanent home in Hong Kong where the individual or his family lives | <ul style="list-style-type: none"> • Incorporated in Hong Kong • Management and control of business in Hong Kong • Permanent establishment/ carrying on business in Hong Kong |
|  India | 182/ 60 (provided physically present/ exercises employment for at least 365 days within 4 years preceding tax year) | Additional conditions for Resident: <ul style="list-style-type: none"> • Period of stay in India \geq 729 days in preceding 7 tax years; and • Resident in minimum 2 out of 10 preceding tax years | <ul style="list-style-type: none"> • Incorporated in India • Management in India • Permanent establishment in India |

¹1 year test and 5 year test for paying Chinese tax for global income








TAX RESIDENCY TEST

| COUNTRY | TAX RESIDENCY TEST FOR INDIVIDUALS | | TAX RESIDENCY TEST FOR ENTITIES |
|--|------------------------------------|--|--|
| | QUANTITATIVE (NO. OF DAYS) | QUALITATIVE | |
|  Indonesia | 183 | <ul style="list-style-type: none"> Resides/ present in Indonesia during fiscal year and intends to reside in Indonesia | <ul style="list-style-type: none"> Established or domiciled in Indonesia Place of effective management in Indonesia |
|  Japan | N/A | <ul style="list-style-type: none"> An individual, who has a domicile or has had a residence in Japan for at least a year | <ul style="list-style-type: none"> If head office or main office is in Japan Effective place of management is not relevant |
|  Malaysia | 182 | N/A | <ul style="list-style-type: none"> Where the management and control of the business(es) or affairs of the company are exercised in Malaysia at any time during the basis year |
|  New Zealand | 183 | <ul style="list-style-type: none"> Permanent place of abode being a dwelling, which is available on more than a temporary basis Continuity and duration of presence Durability of association Closeness of connections to the dwelling | <ul style="list-style-type: none"> Incorporated in New Zealand Head office in New Zealand Centre of management in New Zealand |

TAX RESIDENCY TEST

| COUNTRY | TAX RESIDENCY TEST FOR INDIVIDUALS | | TAX RESIDENCY TEST FOR ENTITIES |
|--|------------------------------------|--|---|
| | QUANTITATIVE (NO. OF DAYS) | QUALITATIVE | |
|  Singapore | 183 | <ul style="list-style-type: none"> • Family ties • Availability of accommodation • In abroad for temporary purpose • Frequency, regularity and duration of visits and the purpose hereof | <ul style="list-style-type: none"> • Exercise of central control and management in Singapore |
|  South Korea | 183 | <ul style="list-style-type: none"> • Whether being regarded to have address or not depends on objective evidence of living connections such as having family, who live together, assets' possession, etc. | <ul style="list-style-type: none"> • Domestic corporation means the corporation, which has its head office, main office or actual management place of business in Korea |
|  Taiwan | 183 | N/A | <ul style="list-style-type: none"> • Incorporated in Taiwan or head office in Taiwan |
|  Thailand | 180 | N/A | <ul style="list-style-type: none"> • Incorporated in Thailand |
|  Vietnam | 183 | <ul style="list-style-type: none"> • Legal domicile, regardless of day count in Vietnam. • Leased accommodation for 183 days or more, regardless of day count in Vietnam and legal domicile | <ul style="list-style-type: none"> • A business agent, who is authorised to conclude contracts or who habitually delivers goods or services, on behalf of the principal in Vietnam |

TAX RATES AND COMPLIANCE INFORMATION

| COUNTRY | TOP-TIER PERSONAL TAX RATE (%) | | CORPORATE TAX RATE (%) | | NON-COMPLIANCE | | AVAILABILITY OF VOLUNTARY DISCLOSURE PROGRAMME | AVAILABILITY OF AMNESTY | FOREIGN EXCHANGE CONTROLS |
|--|--------------------------------|-----------------|------------------------|-----------------|--------------------------------|-------------------|--|-------------------------|---------------------------|
| | 2015 | 2016 | 2015 | 2016 | PENALTIES | INTEREST LEVIED | | | |
|  Australia | 47 | 47 | 30 | 30 | YES 25 to 90% | YES Varies | YES | NO | NO ² |
|  Brunei Darussalam | 0 | 0 | 18.5 | 18.5 | N/A | N/A | NO | NO | NO |
|  China | 45 | 45 | 25 | 25 | YES ³ 50 to 500% | YES ⁴ | NO | NO | YES |
|  Hong Kong | 15 ⁵ | 15 ⁵ | 16.5 | 16.5 | YES up to 300% | YES | YES/NO ⁶ | NO | NO |
|  India | 30 | 30 | 30 ⁷ | 30 ⁷ | YES 100 to 300% | YES 1% monthly | NO | YES | YES |
|  Indonesia | 30 | 30 | 25 | 25 | YES 200 to 400% | YES 2% monthly | YES | YES | NO |
|  Japan | 45 | 45 | 25.5 | 25.5 | YES 10 to 20% | YES ⁸ | YES | NO | NO |

²Cash transactions >\$A10,000 monitored for laundering/ tax evasion

³In addition to the penalty, a late payment surcharge will be imposed on a daily basis at a rate of 0.05% of the amount of underpaid tax

⁴An interest-based penalty, being the basic RMB lending rate plus 5%, applies in the case of transfer pricing, thin capitalization, Controlled Foreign Corporation and general anti-avoidance tax adjustments








⁵The maximum rate of salaries tax is currently 15%. There is a sliding scale of rates up to a maximum of 17% for lower wage earners, with a proviso that the salaries tax payable cannot exceed 15% of total income before personal allowances

⁶The Hong Kong Inland Revenue Department does not implement any specific Voluntary Disclosure Programme, but penalty loading may be reduced upon full voluntary disclosure

⁷Corporate tax rate of 40% for foreign companies

⁸2.8% per annum (within 2 months from the payment due date) or 9.1% per annum (after 2 months from the payment due date)

TAX RATES AND COMPLIANCE INFORMATION

| COUNTRY | TOP-TIER PERSONAL TAX RATE (%) | | CORPORATE TAX RATE (%) | | NON-COMPLIANCE | | AVAILABILITY OF VOLUNTARY DISCLOSURE PROGRAMME | AVAILABILITY OF AMNESTY | FOREIGN EXCHANGE CONTROLS |
|--|--------------------------------|------|------------------------|------------------|----------------------------------|-----------------------------------|--|-------------------------|---------------------------|
| | 2015 | 2016 | 2015 | 2016 | PENALTIES | INTEREST LEVIED | | | |
|  Malaysia | 25 | 28 | 25 | 24 | YES up to 300% ⁹ | NO | YES | NO | YES ¹⁰ |
|  New Zealand | 33 | 33 | 28 | 28 | YES ¹¹ 20 to 150% | YES ¹² | YES | NO | NO |
|  Singapore | 20 | 22 | 17 | 17 | YES 200 to 400% ¹³ | NO | YES | NO | NO |
|  South Korea | 38 | 38 | 22 ¹⁴ | 22 ¹⁴ | YES 10 to 40% | YES 0.03% daily | NO | NO | Limited |
|  Taiwan | 45 | 45 | 17 | 17 | N/A | N/A | NO | NO | NO |
|  Thailand | 35 | 35 | 20 | 20 | YES 200% | YES ¹⁵ 1.5% monthly | YES ¹⁶ | NO | YES |
|  Vietnam | 35 | 35 | 22 | 20 | YES 20 to 300% | YES 0.05% daily | NO | NO | YES |

⁹Penalty rates are reduced to 10% - 35% on voluntary disclosure

¹⁰Malaysia continues to maintain liberal foreign exchange administration rules, which are mainly prudential measures to support the overall macroeconomic objective of maintaining monetary and financial stability

¹¹Penalty is reduced on voluntary disclosure

¹²Government has set use-of-money interest at 9.21% per annum plus late payment penalties

¹³Reduced penalty of 5% of the income tax undercharged for each year after one-year grace period from statutory filing due date

¹⁴Local corporate income tax shall be added at 10% of national corporate income tax

¹⁵Capped at 100% of the additional tax payable

¹⁶Penalties can be reduced, but surcharges payable cannot be waived or reduced

WHAT IT MEANS FOR WEALTH PLANNERS

With high net worth clients reaching for a new kind of barbell strategy towards their wealth planning, a review of the value proposition and the product and service offerings will be of paramount significance. Tax considerations are essential in the advisory process and targeted

training should convey the required sales and product expertise. We expect that performance after taxes and fees will become the new benchmark in portfolio management and investment advice.

THE PURPOSE OF ADDITIONAL COMPLEXITY



PROS

- **Alignment** of the variety of individual's objectives
- Minimised **risk of scrutiny** by the tax authorities
- Enhanced asset **protection** and succession planning flexibility
- Greater **sustainability** in the long run (Information Exchange initiatives, etc.)

CONS

- Additional **complexity** in the course of work
- Additional time, **resources** and cost committed to change the existing structure

KEY QUESTIONS & ANSWERS¹⁷

What are the main benefits of automatic exchange?

- Automatic exchange of information can provide timely information on non-compliance where tax has been evaded either on an investment return or the underlying capital sum.
- It can help detect cases of non-compliance even where tax administrations have had no previous indications of non-compliance.
- It has deterrent effects, increasing voluntary compliance and encouraging taxpayers to report all relevant information.
- Automatic exchange may help educate taxpayers in their reporting obligations, increase tax revenues and thus lead to fairness - ensuring that all taxpayers pay their fair share of tax in the right place at the right time.
- In a small number of cases, countries have been able to integrate the information received automatically with their own systems such that income tax returns can be prefilled.

How is the confidentiality of the information exchanged ensured?

- The Standard contains specific rules on the confidentiality of the information exchanged and the underlying international legal exchange instruments already contain safeguards in this regard. Where these Standards are not met (whether in law or in practice), countries will not exchange information automatically.

¹⁷OECD - Automatic Exchange of Financial Account Information, Background Information Brief (Updated 5 November 2015) (p. 7-8)

HOW BDO CAN HELP

An integrated approach - simple and personal

It is critical for the owner and other stakeholders to have an integrated approach to tax planning for their businesses to manage through the market's ups and downs and address regulatory and legislative developments that can impact one's business and personal wealth. This is regardless of the ultimate goal that one is trying to achieve (i.e. family succession, efficient tax structuring, tax residency migration, etc.)

BDO's private wealth management practice specializes in working with individuals and families. As an international organisation with member firms spanning over 154 countries, we do our best to understand our clients' needs and are fully committed to working with them to develop life-long relationships and to tailor solutions to manage their wealth. With BDO's international network behind us, the Private Client teams across the BDO member firms are exceptionally well-positioned to continue to deliver market-leading services to our clients.



OUR SERVICES

We deliver a comprehensive set of services including asset structuring, succession planning, will planning, trust services, tax compliance, risk management, family business advisory and family office services. We have leading expertise in key specialisms and a proven track record in handling complex issues, working closely with our clients' other professional service providers.

Our services are:

1. Wealth and asset structuring advice for international private clients
2. Tax compliance, administration and dispute resolution
3. Succession planning, management and governance
4. Estate and wealth taxes
5. Partnerships and corporate structuring
6. Family business advisory and family office services
7. Profit extraction and transaction support
8. Immigration support - citizenship and PR applications
9. Accounting, payroll and corporate secretarial services
10. Business intelligence support*

* Includes complimentary performance dashboard services

5th largest accounting & consulting **network**

US\$7.3^{bn} 2015 revenue

154 countries **1,408** Offices
64,303 Staff

1. \$7.30bn (€6.37bn) total combined fee income as at 30 September 2015



CONTACTS

MARK POLLOCK

Chairman Asia Pacific, BDO International Private Client Services, Sub-Group
+61 8 6382 4794
mark.pollock@bdo.com.au

AUSTRALIA

Adelaide

LISA PRITCHARD

Partner, Tax and Advisory
+61 8 7421 1418
lisa.pritchard@bdo.com.au

Brisbane

BRENDAN BALASEKERAN

Partner, Tax and Advisory
+61 7 3237 5958
brendan.balasekeran@bdo.com.au

Melbourne

MARK PIZZACALLA

Partner, Tax and Advisory
+61 3 9603 1727
mark.pizzacalla@bdo.com.au

Perth

MARK POLLOCK

Partner, Tax and Advisory
+61 8 6382 4794
mark.pollock@bdo.com.au

Sydney

CARLO MORETTI

Partner, Tax and Advisory
+61 2 9240 9770
carlo.moretti@bdo.com.au

HONG KONG

JOHNSON KONG

Managing Director
+852 2218 8221
johnsonkong@bdo.com.hk

PORTIA TANG

Director, Client Services
+852 2218 8996
portiatang@bdo.com.hk

INDONESIA

IRWAN KUSUMANTO

Partner, Tax and Advisory
+62 21 5795 7312
ikusumanto@bdo.co.id

MALAYSIA

DAVID LAI

Partner, Tax and Advisory
+60 3 2616 2990
davidlai@bdo.my

MAURITIUS

GILBERT SEEYAVE

Partner, Tax and Advisory
+230 202 9548
gilbert.seeyave@bdo.mu

NEW ZEALAND

Auckland

IAIN CRAIG

Partner, Tax and Advisory
+64 9 366 8125
iain.craig@bdo.co.nz

Wellington

ALAN SCOTT

Partner, Tax and Advisory
+64 4 498 3872
alan.scott@bdo.co.nz

PHILIPPINES

ATTY. BENJAMIN E. GUERZON JR.

Partner, Tax and Advisory
+63 2 844 2029
beguerzon@bdoalbaromeo.ph

SINGAPORE

KYLIE LUO

Executive Director, Tax and Advisory
+65 6828 9157
kylieluo@bdo.com.sg

DERRICK SEET

Manager, Tax and Advisory
+65 6828 9182
derrickseet@bdo.com.sg

THAILAND

PAUL ASHBURN

Co-Managing Partner
+66 2 260 7290
paul.a@bdo.co.th

www.bdointernational.com/privateclients

This publication has been carefully prepared, but it has been written in general terms and should be seen as broad guidance only. The publication cannot be relied upon to cover specific situations and you should not act, or refrain from acting, upon the information contained therein without obtaining specific professional advice. Please contact the BDO member firms in Australia to discuss these matters in the context of your particular circumstances. BDO Australia Ltd and each BDO member firm in Australia, their partners and/or directors, employees and agents do not accept or assume any liability or duty of care for any loss arising from any action taken or not taken by anyone in reliance on the information in this publication or for any decision based on it.

BDO refers to one or more of the independent member firms of BDO International Ltd, a UK company limited by guarantee. Each BDO member firm in Australia is a separate legal entity and has no liability for another entity's acts and omissions. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

BDO is the brand name for the BDO network and for each of the BDO member firms.

© 2016 BDO Australia Ltd. All rights reserved.