Prevention of abuse in the investments citizenship

Foreign residence for investment

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Taking into account the latest tendency of global deoffshorization, please pay attention to the curious news received from the OECD. In February 2018, the organization published a report “Preventing abuse of residence by investment schemes to circumvent the CRS.” The essence of the report boils down to the following: investment schemes for obtaining foreign citizenship, which become increasingly popular around the world, are used among other by those who evade taxes.

It is assumed, that persons using these residence / citizenship programs can provide banks with inaccurate or incomplete information about their tax residence (with the intention to avoid the automatic exchange of information).

The OECD suggests fighting with such abuses through effective due diligence procedures, in particular by obliging banks to request documents confirming the permanent address of the actual residence (including copies of utility bills, which, however, is a standard practice), information about all jurisdictions where clients have the status of tax residence.

Realizing that the implementation of these measures can in practice create an additional bureaucratic burden on all, including conscientious citizens, and taking into account additional costs for verifying the reliability of information received from customers, the OECD, in addition to the above, issued on March 9 new disclosure rules, which since 2020 oblige all the intermediaries: lawyers, accountants, financial consultants and banks to inform tax authorities of any schemes they create for their clients in order to avoid the information exchange within the CRS or to prevent identification of beneficiaries and trusts.

OECD Rules http://www.oecd.org/tax/exchange-of-tax-information/model-mandatory-disclosure-rules-for-crs-avoidance-arrangements-and-opaque-offshore-structures.pdf

Report on preventing abuse of residence by investment schemes https://www.oecd.org/tax/exchange-of-tax-information/consultation-document-preventing-abuse-of-residence-by-investment-schemes.pdf

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