

**Baker
McKenzie.**

**Regional Webinar Series:
Recovery & Renewal: EMEA Tax Issues**

Wealth Management

Trends, Tax Increases and Outlook | 7 July 2020



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Agenda

1

Key concerns and priorities of families and financial institutions

2

Increasing tax collections - past crisis review and future outlook

3

Tax residency, mobility and tax increases: Russia, UK, France & Italy

1

Key concerns and priorities



Key concerns

Families



Debt and liquidity



Travel and exit planning



Tax enforcement and government intervention



Deoffshorization



Business and estate succession planning



Simplification



Key concerns and priorities

Financial Institutions



Depressed economic conditions and market pressures



ESG / impact investing / philanthropy



Digitization



Government enforcement and compliance measures



Protectionism



Shifting client focus

2

Increasing Collections

An abstract graphic consisting of multiple layers of glowing blue lines and dots that form a wave-like pattern across the center of the slide. The lines are thin and semi-transparent, creating a sense of depth and movement. The dots are small and bright, scattered along the lines. The overall effect is a futuristic, digital aesthetic.

Past – Financial Crisis Review

Our Approach



Analysis

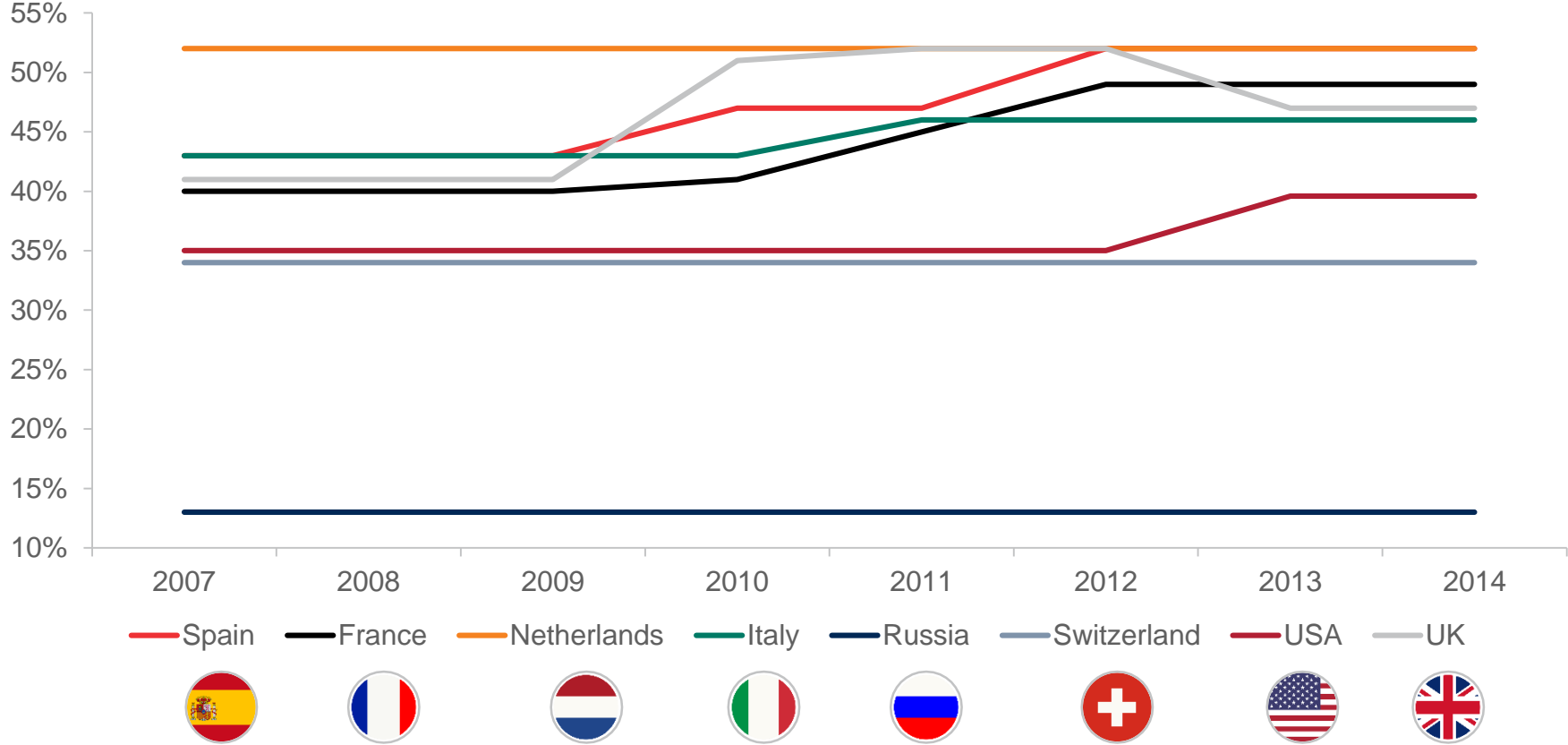
- 8 Countries: UK, France, Netherlands, Italy, Spain, Switzerland, Russia & USA
- 8 Year Period: 2007-2014
- Max. Rates – Labour Income, Savings Income, Other Taxes
- Sources: Baker Mckenzie & EU reports



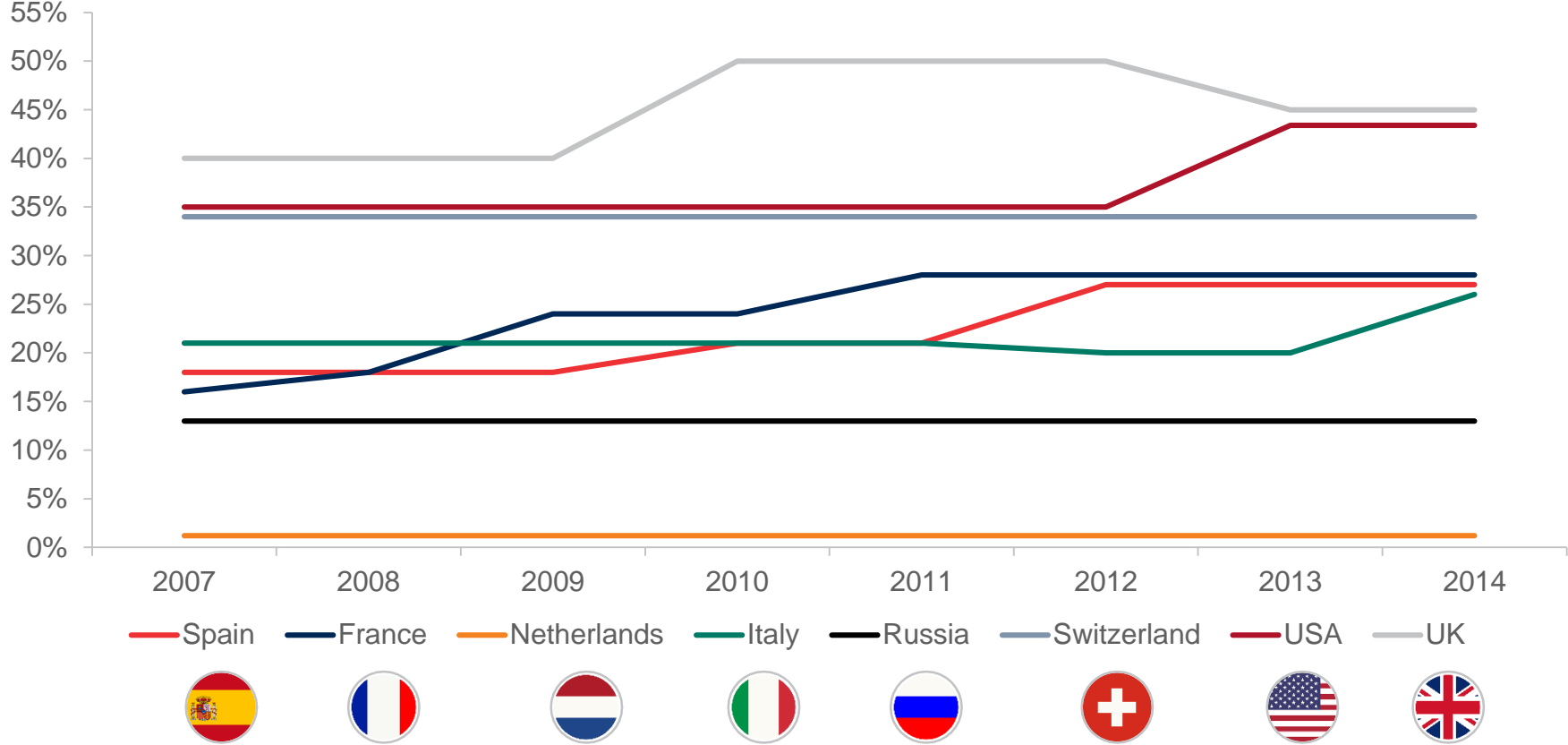
Main Questions

- General top rates increase? Reductions?
- Labour Income Vs Savings Income Taxation?
- Increasing Taxation Vs GDP?
- Geographic analysis
- Trends

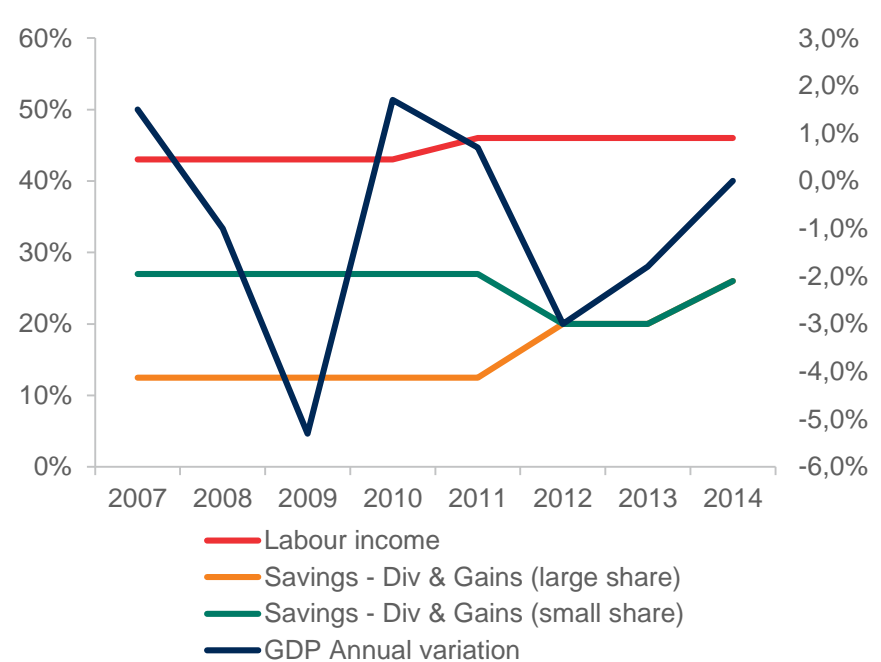
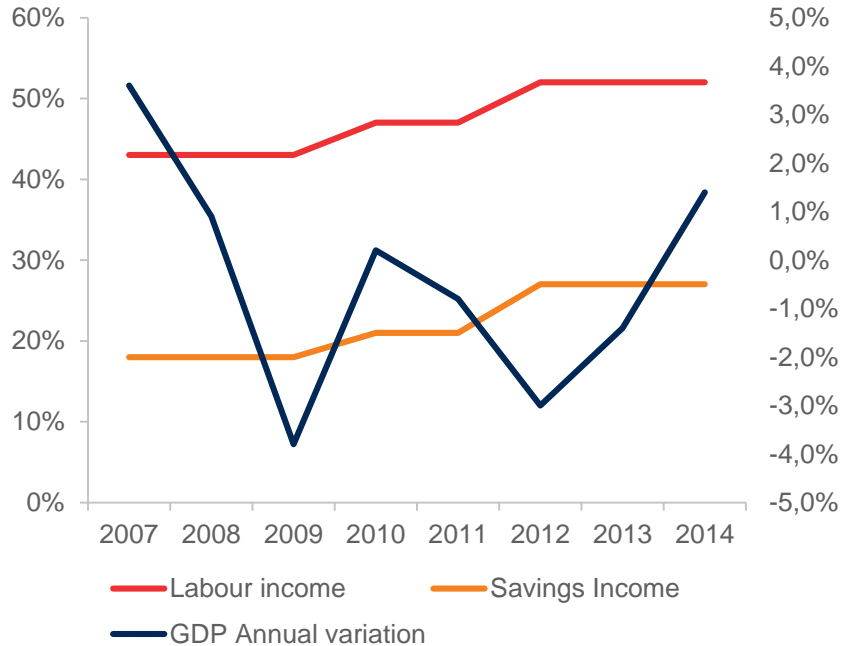
Evolution - Labour Income Taxation (max. tax rate)



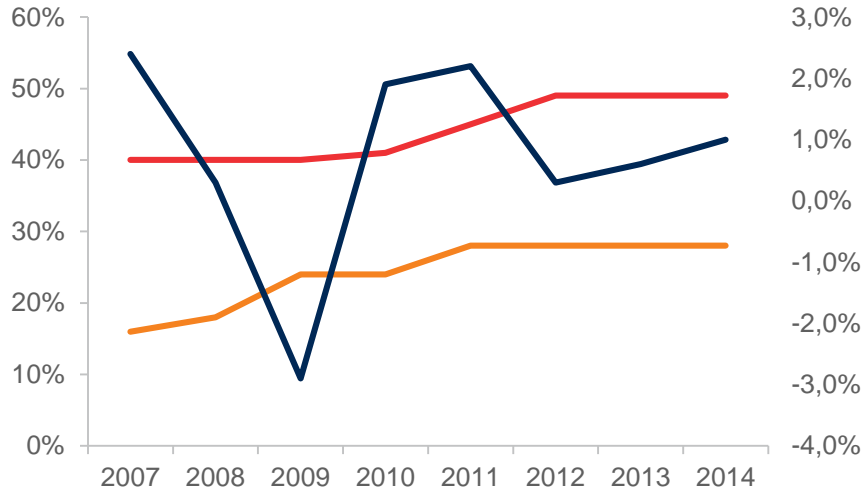
Evolution Savings Income (max. tax rate)



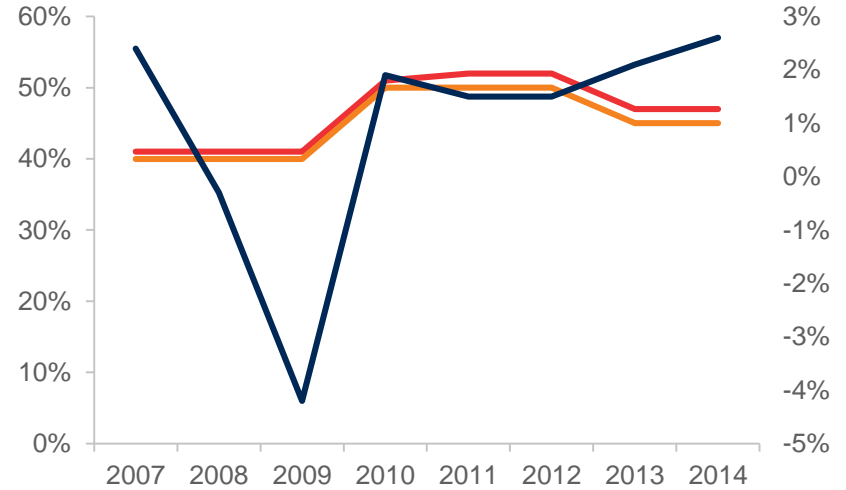
Comparison GDP vs Taxation



Comparison GDP vs Taxation



— Labour income — Savings - Gains (Ex SS)
— GDP Annual variation



— Labour income — Savings Income
— GDP Annual Variation

Future – What's Next

Announced / Discussed Proposals



Increase or decrease in taxes is largely dependent on the results of national elections in November rather than COVID-19 impact



Potential increase in national insurance contributions and/or alignment between employed and self-employed individuals?



No specific measures



Unlikely to change at federal or cantonal levels

Future – What's Next

Announced / Discussed Proposals



- Increase + 4% maximum labour and savings rates
- Wealth Tax & Inheritance and Gift Tax Harmonisation
- New tax on Large Fortunes / Wealth Tax +1% increase



- Slight decrease lower labour tax rates (-0.25%). Top rate (-2,25% in 2020)
- As of 2022, the actual ratio between a taxpayer's savings, investments and debt will be taxed



- Initial proposal: -7% (income > €75,000)
- Under discussion: + 4% special surtax for top earners
- Wealth Tax / Increasing Inheritance and Gift Tax: not on the table

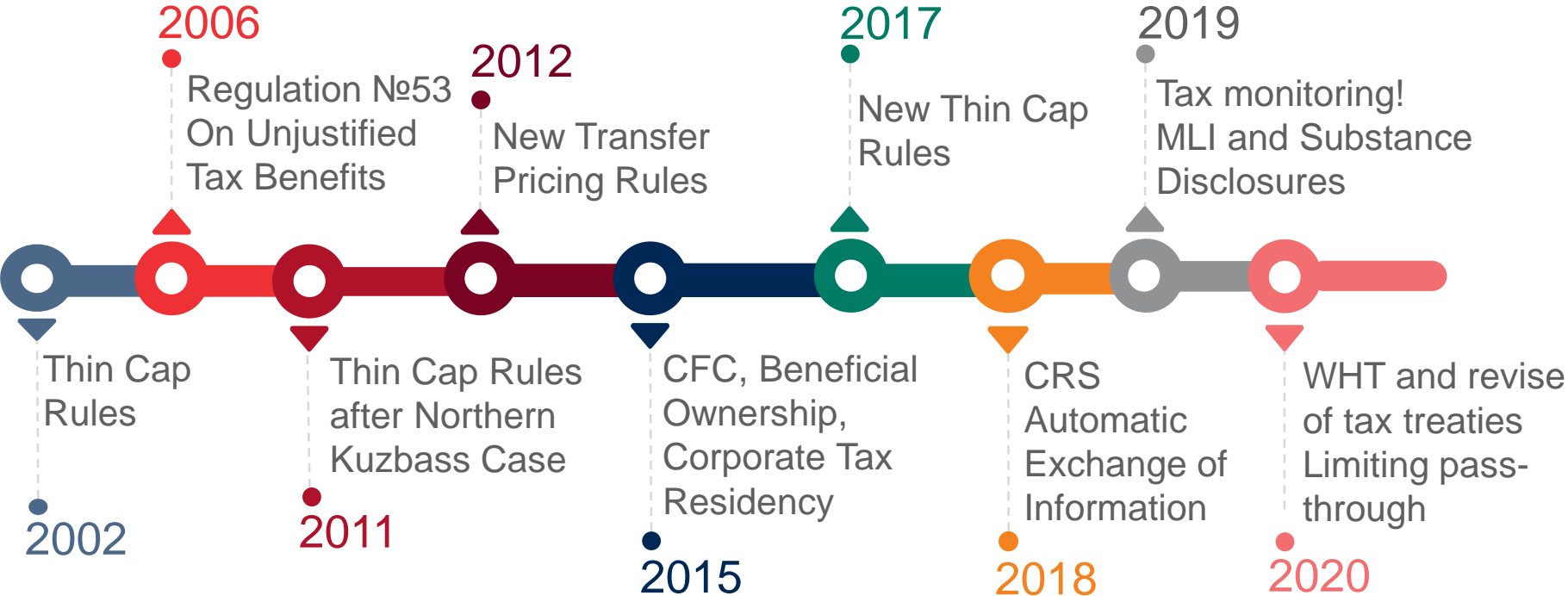


Starting from January 1, 2021 a 15% rate would apply to income of residents in the excess of 5 Mln. rubles (or approx. \$72,000) per year.
This is a +2% increase; other tax increases

3

Tax residency, increases and mobility

Russia – Past – Evolution of Anti-Avoidance Rules



Russia – Present - 2020 Tax Changes due to COVID-19

Effect on tax residency and mobility



Lockdown in April-May 2020, travel restrictions with exceptions, increased demand for CBI/RBI solutions



PIT increase - 15% from 13% for high, lump sum CFC tax, 3% IP box, deposit and bond tax



DTT renegotiations (CY/LU/MT), WHT increase – 15% from 5%/0%, limiting participation exemption



Stranded persons: OECD approach; DTT tie-breaker rules; draft law proposed

Russia – Future – Most Popular DTT to be Revised

Impact on family-owned closely-held businesses



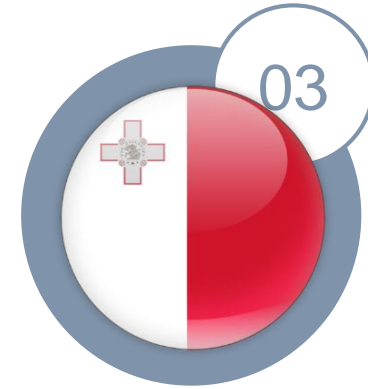
Cyprus DTT

15% WHT on dividends and interest instead of 5% and 0%



Luxembourg DTT

15% WHT on dividends and interest instead of 5% and 0%



Malta DTT

Draft law on denouncement of the DTT with Malta

Tax residency and mobility

UK



Lockdown commenced on 23 March and eased with effect from 1 June



From 8 June, those entering the UK required to quarantine for 14 days – "Air bridges" introduced



The Statutory Residence Test and "exceptional circumstances"



Brexit update and impact on UK tax and immigration

Tax residency and mobility

UK approach vs. France and Italy



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