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WTS Private Clients Newsletter

Editorial

Dear Reader,

It is our pleasure to present to you the initial WTS Global Private Clients & Family Office Services Newsletter, issued in February 2018.

In 2017, WTS Global launched this new global Service Line with the aim of providing high-quality international advice to High Net Worth Private clients and to Family Offices. Private clients generally have very specific tailor-made demands when it comes to estate planning and consulting. HNWI and the family businesses they control need highly skilled multidisciplinary advisors, who give practical legal and fiscal guidance to estate planning with regard to national and cross-border matters. Their advisor should understand and respect the individual and long-term vision of the family as an entity and of the family business itself.

At WTS, we have established a particular service line for those family needs. Our private client experts support HNWI, their family businesses, family offices and non-profit organisations in dealing with all specialist questions. These include succession issues, complex civil law issues, the implementation of voluntary disclosures tax compliance matters, tax optimisation and/or mitigation of domestic and foreign investments resp. emigration and immigration. We also offer a sophisticated multi-asset-class online wealth controlling tool, WTS-QPLIX.

Therefore, in order to keep you up-to-date in this dynamically changing environment, our WTS Private Clients & Family Office Services Newsletter provides you with an update and overview on current developments in relevant tax and legal environments in 9 selected countries.

We hope you will find this newsletter useful and we would appreciate your feedback and suggestions.

If you have any questions regarding any aspects of this newsletter, our experts of the global WTS team will be happy to answer any questions you may have.

Yours sincerely,

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WTS Private Clients & Family Office Services

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Please find the complete list of all contacts at the end of the newsletter.

Austria

Prohibition on deduction of incidental acquisition costs for private investors

Capital gains realised on capital assets by an Austrian resident are generally subject to a withholding tax at a special rate of 27.5 percent. This tax is a final tax and applies to capital assets which have been acquired after 31 December 2010 and before in certain cases. Non-residents are also subject to this tax on capital gains derived from certain Austrian investment assets.

The respective capital gain is calculated by deducting the acquisition costs from the disposal proceeds. However, according to sec. 27a of the Austrian Income Tax Act (ITA) private investors cannot deduct incidental acquisition costs (e.g. commission, trading fees, stock exchange fees) in case the special rate of 27.5 percent is applicable. In contrast, if the capital investments are held as business assets, sec. 27a of the ITA allows a deduction of such expenses. In a case as of June 13, 2017 the Austrian Constitutional Court (VfGH) had to judge the legitimacy of this different treatment of private and business assets (G 336/2016-11).

The VfGH stated that, in order to avoid a circumvention of the general prohibition on the deduction of income-related expenses, a prohibition on the deduction of incidental acquisition costs is also necessary. Otherwise, the taxpayer would be tempted to avoid the prohibition by shifting costs to acquisition related expenses (e.g. agreement on higher transfer fees vs. fixed custody fees). Therefore, the economic equivalency of the expenses incurred on sales and acquisitions justifies the prohibition on the deduction of income-related expenses by a provision which excludes the recognition of such expenses as incidental acquisition costs.

As a result, the VfGH did not see an unconstitutional discrimination in the controversial provision. Therefore, the deduction of incidental acquisition costs for private investors is not possible in case the special rate of 27.5 percent is applicable – which is generally the case. The full difference between the disposal proceeds and the acquisition price remains taxable. Unfortunately, this decision preserves the unfavourable status quo for private investors. In line with this decision banks have not deducted any additional costs (e.g. incidental acquisition costs) due to the presumption of private capital investments.

In practice, this VfGH decision means that the holding of capital investments as business assets may well be advantageous, in case there is a choice in this respect.

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Belgium

Belgium look-through taxation referred to as Cayman tax, modified as of 1 January 2018. Distributions from trusts mainly the target of this new legislation.

Since 2015, Belgian tax law on foreign trusts, offshore companies and foreign foundations referred to as "Cayman tax", provides a look-through taxation system according to which revenue perceived by these low taxed entities is taxed as if the founder had received the income directly. These regulations have been subject of many comments and criticism. Over the years 2016 and 2017, multiple rulings in advanced clearance have been given by the tax authorities in order to mitigate and clarify the tax consequences of this new look through taxation regime.

By law of 25 December 2018 Belgian parliament has modified "Cayman tax" at several points thereby focusing on distributions by trusts as well as on distributions which relayed back to so-called old retained earnings. These new regulations are quite complex and not at all favourable towards distributions out of trusts which have been settled prior to 1 January 2015.

In summary, one can state that if a trust makes a distribution, in principle the distribution will be considered to be a dividend subject to a tax of 30% flat. The distribution is however not considered to be a dividend, and hence remains tax free, if the recipient of the distribution can provide either or both elements of proof:

- The distribution is financed by revenue which has already been subject to Belgian tax.
- The distribution is financed by amounts which were brought into the trust by means of capital.

There has been however introduced a so-called priority rule which goes by the principal of "FIFO", that is "first in first out". That rule says that any distribution which is made by a trust, is to be accounted for primarily on the so-called "old retained earnings". Thereby the distribution is primarily deemed to pertain to old retained earnings which have not yet been subject to Belgian taxes. Concluding, only when the recipient can prove that the trust does not have any remaining "untaxed old retained earnings", the distribution will remain exempt.

Obviously, this priority rule can be the subject of much criticism and in a variety of files argumentation may be developed to counter this type of anticipated taxation.

Specific anti-abuse regulations have also been enacted in order to discourage the change of the seat of management location of a trust to a country whom Belgium does not have a TIEA ("Tax Information Exchange Agreement") or DTT ("Double Tax Treaty") with. In such case the transfer of the seat will trigger a deemed dividend comprising all retained earnings in the trust fund, then subjected to a flat dividend tax rate of 30%.

These new regulations may be notably important for trusts which have been setup by former non-residents with temporary residence in Belgium and may indeed have an adverse impact on the taxation of ongoing distributions from the trust fund. Careful planning is at hand!

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Brazil

Statement of Transactions Liquidated in Cash

As of 1 January 2018, individuals or legal entities, resident or domiciled in Brazil, who receive in cash, at any given month, amounts equal to or exceeding BRL 30,000 (approximately EUR 7,600) (regardless of the currency), must submit a Declaration of Transactions Liquidated in Cash (DME) to the Brazilian Federal Revenue Service (RFB). Financial institutions and institutions authorised to operate by the Central Bank of Brazil do not have to comply with this obligation.

If the payment is made by more than one individual or legal entity, with respect to the same transaction, the declarant must observe the limit of BRL 30,000 with respect to each transaction and not with each payor. Thus, for example, if a person sells a vehicle to a couple for BRL 50,000, and each one of them pays BRL 25,000 to the declarant, the transaction must be declared despite the declarant receiving less than BRL 30,000 from each one.

The declarant will have to give the following information in the DME with regard to each transaction: the full name of the individual or legal entity; the taxpayer's number (CPF or CNPJ); the description of the goods, services or rights that generated the payment in cash; the transaction amount in BRL; the value in BRL liquidated in cash; the currency used in the transaction and its date. In case the transaction has been carried out with an individual or legal entity domiciled abroad, without a taxpayer number in Brazil, the declarant must inform about the Tax Identification Number (NIF) and the country of residence or fiscal domicile of the individual or legal entity abroad.

The electronic DME form must be filed by accessing the *Centro Virtual de Atendimento ao Contribuinte* (Taxpayers' Virtual Service Centre – e-CAC) on the Brazilian RFB's website at the address http://rfb.gov.br. The DME must be digitally signed by the individual or the legal representative of the legal entity, or by a duly constituted attorney-in-fact, by means of a valid digital certificate.

Amounts received in foreign currency will be converted with the exchange rate for the currency, disclosed by the Central Bank of Brazil, corresponding to the business day immediately preceding the day of the receipt. If the exchange rate of the foreign currency at issue is not disclosed by the Central Bank of Brazil, the value must firstly be converted into US dollars, based on the value established by the monetary authority of the country of origin of the currency, corresponding to the business day preceding the date of the receipt, and then into BRL.

The deadline for submission of the DME to the RFB will be the last business day of the month following that of receipt of the cash and it will be possible to rectify it afterwards. Failure to submit, delayed submission, or submission with inaccuracies or omissions will result in the imposition of penalties by the RFB and, despite payment of these penalties, the RFB may inform the Federal Public Prosecutors in case of evidence of money laundering crimes or concealment of assets.

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Changes to Tax on Donations and Inheritances in Rio de Janeiro

The government of the state of Rio de Janeiro has recently changed the legislation of the Causa Mortis Property Inheritance and Donation Tax (ITD).

The main change defined by the state of Rio de Janeiro refers to the rates that have been altered from 4.5% to 5%, to rates from 4% (for amounts of approximately EUR 57,000) to 8% (for amounts exceeding approximately EUR 327,000).

Law 7786/2017 also changed the exemption limit for the transfer of residential real estates to individuals, which decreased from approximately EUR 82,000 to approximately EUR 50,000;

and created exemptions for donations or causa mortis transfers to certain private law foundations and social assistance, health and education associations, as well as the donation, to individuals, of a single residential real estate located in a low-income community.

Disputes might arise regarding the date for entry into force of such changes, scheduled to 1 January 2018. This is because the 90-day period rule, provided for in the Federal Constitution, has not been complied with. According to such rule, taxes cannot be charged earlier than 90 days from the date of publication of the law that has established or increased them. In this sense, one can argue that Law 7786/2017 should enter into force as of 15 February 2018.

Each of the 26 Brazilian states, as well as the Federal District, has autonomy to discipline the levy of the tax, grant exemptions, define the taxpayers, the taxable bases, the tax rates, and the form of payment, among other topics. However, according to the Federal Constitution, the states and the Federal District's laws relating to the ITD should observe the maximum tax rate set by the Senate, which established, in 1992, the maximum rate of 8%.

Likewise, several other Brazilian states have also promoted changes to their legislations as regards the ITD, mainly in relation to the tax rate. For example, in 2016, the Federal District adopted 3 rate ranges (4%, 5% and 6%), which was previously 4%; and in 2017, Mato Grosso increased its rates from 2% and 4% to 2% to 8%.

Thus, we observe a tendency of the states to alter their respective ITD rates to increase their tax collection, in particular because of the reduction in collection caused by the economic crisis and resulting deficits in their budgets.

Thus, it is possible that the state of São Paulo will also increase its ITD rate, considering that, unlike other states, São Paulo currently adopts the 4% fixed rate (for values exceeding about EUR 16,000).

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Italy

Italian Flat Tax Regime

Italian Budget Law 2017 has introduced – with effect from calendar year 2017 – a flat tax regime designed for new residents with high foreign source income.

The new regime can be elected by individuals that
→ **transfer** their tax residence in Italy; and
→ have **not** been tax resident of Italy for at least 9 years during the latest decade.

Citizenship is not relevant (Italian citizens can benefit from the regime if the above conditions are met) and the regime can be extended to relatives who meet the above conditions.

The application of the regime requires an election in the annual income tax return. This election can be made individually for the first fiscal year or – if the person has never been resident of Italy in the prior decade – also in the second year. In such latter case, however, the ordinary tax rules would still apply in the first year.

According to Art. 24-*bis* of the Italian Income Tax Code, the application of the regime is subject to the successful completion of a ruling procedure. However, under subsequent instructions provided by the Italian Tax Authorities (Provision 8 March 2017) the ruling procedure is no longer mandatory.

Once elected, the regime is applicable for a maximum period of 15 years. It is immediately interrupted if the flat tax is not paid within the statutory deadline for the payment of the mainstream income tax balance (usually in June). Furthermore, the taxpayer can decide to interrupt the regime at any time.

Under the regime, **foreign source income** is subject to a substitute flat tax of **EUR 100,000.00** (reduced to **EUR 25,000.00** for eligible relatives, upon election) regardless of the amount of the foreign income received.

The application of the flat tax excludes the foreign tax credit.

For the first five years from the election, capital gains deriving from the sale of "*relevant shareholdings*" (i.e., representing more than 20% of voting rights or 25% of share capital) are not included in the flat tax regime and are subject to ordinary income tax rates.

The individual can exclude from the application of the regime the foreign income deriving from one or more Countries (*Cherry picking clause*). Individuals can opt for the exclusion in the first year of application of the regime or even in subsequent years. The choice is not revocable and the list of the excluded Countries can be modified only in order to include other Countries. In such a case, the ordinary tax regime applies with the possibility to claim a tax credit for the foreign income taxes paid abroad.

During the application of the new regime, inheritance and gift taxes (if due) are calculated without taking into consideration the financial assets and real estate held abroad.

During its application, the individual is not exempt from the obligation to disclose, in the annual income tax return, the overall financial assets and real estate held abroad.

Furthermore, the wealth tax on the foreign financial activities and the wealth tax on the foreign real estate are not due. Such exemption does not apply with reference to the Countries excluded by the individual under the *Cherry-picking clause*.

A specific case-by-case analysis is recommended in order to explore possible interactions with the rules on corporate residence, controlled foreign companies ("CFC") and the application of Italian treaties with foreign source Countries.

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Grand-Duchy of Luxembourg

UBO register very close to being introduced in Luxembourg!

Following the adoption of the fourth EU anti-money laundering directive, Luxembourg is on the verge of introducing central registers identifying the ultimate beneficial owner(s) (**"UBOs"**) for certain Luxembourg entities (trusts/corporate and legal entities).

The draft bill of law (the **"Draft Bill"**), aiming at the implementation of such register for corporate and legal entities, was introduced on 6 December 2017.

The register will keep information about the identity of the UBO(s) of Luxembourg registered entities (e.g. private limited liability companies, public limited companies, partnerships, etc.). An exception is, however, made for certain listed companies.

This information needs to be collected and updated in a timely manner by all Luxembourg legal entities concerned. The information is to be filed with the Luxembourg Trade and Companies Register (the **"RCSL"**), subject to a criminal fine of up to EUR 1,250,000.

The information to be provided regarding the UBO(s) includes:

- Full name, date and place of birth;
- Nationality and country of residence;
- Private or professional address;
- National or foreign identification number; and
- Information of the beneficial interest held in the relevant entities.

Upon dissolution of an entity, the above information is to be kept for 5 years.

Who is considered a UBO?

A UBO is any individual who ultimately owns a sufficient percentage of shares or voting rights in the legal entity through direct or indirect ownership or has formal or effective control over such legal entity (i.e. shareholding or ownership of more than 25%). If no such person exists, then the person(s) holding the position of senior manager of the entity is considered to fall within the scope of the definition of UBO.

Access to the information kept in the register

According to the Draft Bill, the information contained therein shall be accessible to:

- National authorities competent in the fight against money-laundering (e.g. the judicial administration, the regulator of the financial sector, and the tax authorities) which shall have full access to the information;
- Self-regulatory bodies that need access to the information within the scope of their mission of anti-money laundering and counter-terrorism, as well as certain professionals in order to comply with their KYC requirements. These persons will not have access to the professional/private address and national identification number of the UBO(s).
- Other resident persons or organisations, provided that they have a 'legitimate interest' (not yet defined) in accessing the information. The professional/private address, date of birth, place of birth or national identification number of the UBO shall not be accessible in such case.

On 15 December 2017, the Council of the EU and the European Parliament reached a political agreement, according to which the Member States may be required to make their national registers publicly accessible and shared with the corresponding administrative bodies established in the other Member States.

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Compliance with the regulations

The Draft Bill stipulates that the information will need to be filed with the RCSL within a month following the event making such filing necessary.

A transitory period shall, however, provide that existing entities will have to comply with the rules within a period of six months following the entry into force of the law.

The Draft Bill is expected to be implemented during 2018.

Mexico

Capital Repatriation Decree

Individuals and legal entities resident in México for tax purposes are subject to pay Mexican income tax ("IT") on their worldwide income at a rate between 30% to 35%, regardless of their nationality, when such income is actually earned by the former, or otherwise it is generated through a preferential tax regime or tax haven.

Since 1985, the Mexican Government has adopted an unwritten administrative practice of establishing temporary voluntary disclosure programmes for non-compliant taxpayers with undisclosed offshore income and assets. The latest programme was the Capital Repatriation Decree (Decree) published on 18 January 2017, which provided for a tax amnesty programme for individuals and legal entities resident in Mexico as well as non-residents with a permanent establishment thereat who, directly or indirectly, obtained income from investments held abroad until 31 December 2016.

Taxpayers subject to tax audits were also eligible to benefit from the aforesaid programme, provided that they self-corrected their tax situation by paying the corresponding IT at any stage of the tax audit or withdrew from the legal or judicial remedies filed against it.

Said amnesty program included, among others, the following tax benefits: (1) a preferential 8% IT rate on offshore funds repatriated to Mexico (without any deduction), (2) compliance with substantive and formal tax obligations related to offshore funds or investments repatriated to Mexico, (3) IT paid covered both the fiscal year (FY) of its payment and previous FYs, (4) benefits set therein were not deemed taxable income for IT purposes, (5) foreign tax paid abroad could be credited against the 8% IT paid on the repatriation of funds, and (6) IT paid could be offset against IT credit balances.

Benefits granted by the Decree were solely applicable to funds or investments repatriated to Mexico from 19 January to 19 October 2017, provided that the following requirements were met: (1) repatriation was made through credit institutions or brokerage houses, (2) repatriated funds remain invested in any of the authorized activities established therein (AA), for at least 2 years, (3) repatriated funds remain increasing taxpayers' total amount of investments in Mexico, and (4) an informative notice was filed to the tax authorities, reporting the total amount of repatriated funds and its allocation to any of the AA.

Mexico's Tax Administration Service ("SAT") announced that approximately MXN 380,000 million pesos were repatriated to Mexico within the aforesaid 9-month period, from which MXN 20,000 million pesos correspond to the 8% IT paid on the repatriation of offshore funds or investments. However, a considerable amount of money is still undisclosed, considering that in 2014 alone, USD 837,104 million dollars were illegally held abroad in preferential tax regimes or tax havens.

Since the OECD has widely recommended to avoid granting amnesty programs on a regular basis, we consider that the aforesaid programme may have been non-compliant taxpayers' last opportunity to correct their tax affairs, especially when the SAT has repeatedly announced an entire new audit program resulting from the financial account information exchange made on September and October 2017, under the OECD's Multilateral Competent Authority Agreement for the Common Reporting Standard (CRS MCAA).

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Portugal

A very competitive tax regime

Portugal has one of the most competitive tax regimes for individuals – the Non-Habitual Tax Residents Regime ("NHR"), offering several tax benefits for a 10-year period to individuals relocating to Portugal that were not tax residents in the preceding five years. No minimum period of stay is required for individuals to become Portuguese tax residents, making it particularly interesting for globe trotters. Under the NHR, foreign-sourced dividends, interest, pension, rental income and real estate capital gains are tax exempt in Portugal, irrespective of their tax treatment in the source country. As regards foreign sourced employment and services income, a full tax exemption may also apply. The NHR also provides for a reduced tax rate of 20% to employment and services income derived from high value-added activities performed in Portugal (including software developers, academics, researchers, tax advisors, senior company personnel and, in certain cases, board members).

Flexible rules on visa/residence permits

Whilst EU citizenship allows individuals to relocate to Portugal without complying with any major formalities, citizens from third-party countries require a visa/residence permit. To that end, the Portuguese Law includes the so-called Golden Visa ("GRP"), which is a residence permit that allows citizens from third-party countries to move freely within the Schengen area. To be granted a GRP, the applicant may opt for the following investments:

- a real estate acquisition of at least EUR 500,000.00 (or EUR 350,000.00, if the property was built more than 30 years ago or is located in a refurbishment area and is subject to refurbishment works); or
- a capital transfer of EUR 1,000,000.00; or
- the creation of at least 10 job positions in Portugal.

This residence permit allows the applicant to live and work in Portugal and may be extended to direct family members. The GRP requires the Investor only to spend an average of

7 days in Portugal per year. After 5 years of holding the GRP, it is possible to apply for a permanent residence permit and, subsequently, to apply for Portuguese citizenship.

Further to successfully hosting the web summit for the past two years (the 2018 event shall also take place in Lisbon) and with the purposes of consolidating its status as a high-tech jurisdiction, Portugal has recently launched a "start-up visa" that applies to entrepreneurs who relocate to Portugal and incorporate a start-up, with the potential of achieving a turnover of EUR 325,000.00 within five years.

Dynamic real estate market

The Portuguese real estate market plays an important role in the country's positive economic environment. For that reason, relevant tax incentives for urban refurbishment were enacted, providing for a 6%-reduced VAT rate in construction contracts, exemptions of property taxes and a reduced personal income tax rate on rental income.

Safe harbour

All of the aforementioned regulations, combined with the fact that Portugal does not have capital/wealth taxes nor inheritance taxes, makes Portugal a very appealing jurisdiction for investors.

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Switzerland

Tax benefits due to private investments in real estate

Nowadays, the stock markets are volatile and shares are considered rather high value. At such times, private investors are on the lookout for other investment opportunities that generate income and to preserve their wealth. A valuable alternative might be to invest in real estate. In doing so, private investors could benefit from various tax advantages in Switzerland. In the end, they may be better off with a diversified portfolio instead of investing in shares only.

An investment in shares can be expensive with regard to tax matters. Generally, private investors resident in Switzerland are obliged to pay wealth taxes on their net assets. If the fortune is invested in listed stock shares, it is considered taxable at the market value of the share at the end of the year. This means, for instance, by investing CHF 10 million in shares, a person residing in the city of Zurich would have to pay wealth taxes of approx. CHF 57,000 on this mere share investment regardless of the distribution from these shares. And since a dividend is not guaranteed, liquidity has to be raised for the tax payment from potential other sources.

Instead of investing in shares only, investments in real estate might be a good alternative which could result in reduced wealth taxes, since the tax value of real estate is estimated up to 30% lower than its actual market value. For example, the investment of CHF 10 million in real estate in Zurich city would result in only about CHF 37,000 wealth taxes, i.e. a tax payment reduction of roughly 35% compared with investing in shares. If the real estate is used for rent, it can furthermore generate a steady income flow.

There are even more tax planning opportunities by investing in real estate, making use of the cantonal tax systems. A tax resident of Zurich could invest not in Zurich but in real estate in Wollerau in the canton Schwyz. Such investment in the amount of CHF 10 million would result in approx. CHF 10,000 wealth taxes. This means a reduction of 80% tax payable as a resident in Zurich, in comparison to a share investment.

Another tax planning option by using the cantonal tax systems is, that the tax liability is tied to the location of real estate and some cantons - like Schwyz for example – do not levy inheritance or gift tax, not only for related but also for unrelated persons. Due to this circumstance, a person residing in the canton of Zurich is able to grant real estate located in Schwyz to any third-party beneficiary in a testament or as a gift, without triggering gift or estate tax.

To sum up, with regard to the current volatility at the stock markets, private investments by a Swiss tax resident in real estate can become a valuable option. It may generate a steady income flow and produce various tax benefits, such as reduced wealth tax on the fortune. Furthermore, since there is no inheritance or gift tax in some cantons, investors in Switzerland are given further tax planning tools to preserve their wealth for themselves and for others.

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United States

2017 Tax Legislation Impacts All Taxpayers

On 22 December 2017, major new US federal tax legislation was enacted into law. The effect of the new law on high net worth individuals and family offices is summarised below. Most of the changes affect taxpayers in the 2018 through 2025 taxable years.

→ **Tax Rates** –The maximum rate on ordinary income has dropped from 39.6% to 37%. The threshold for the top rate increases for taxpayers filing a joint return (from USD 480,050 to USD 600,000), but not significantly for single taxpayers.

→ **State Taxes** – The personal deduction for state and local taxes is now limited to USD 10,000.

→ **Alternative Minimum Tax** – The individual AMT is retained. However, both the exemption and the phase-out increase. As a result, it is doubtful that many individuals will be liable for AMT in the future.

→ **Business Income** – Owners of unincorporated businesses and S corporations (including passive businesses) are now allowed to exclude up to 20% of their net profit. This potentially reduces the maximum rate to 29.6%. However, owners of service businesses will not generally benefit from this change.

→ **Business Losses** – Net business losses are now subject to limitation. A loss in excess of USD 500,000 (USD 250,000 for single taxpayers) will now be carried forward (and can only offset 80% of taxable income in future taxable years). The limitation on passive losses continues to apply.

→ **Business Interest** – The deduction of business interest (whether paid to related or unrelated persons) is now limited to 30% of EBITDA. Disallowed interest can be carried forward indefinitely. The limit does not apply to small businesses (gross receipts of less than 25 million) or to real estate businesses that elect to use a less-favourable depreciation table.

- **Cost Recovery** – The rate for bonus depreciation increases from 50% to 100%. The 100% deduction applies to property placed in service from 28 September 2017 until 31 December 2022. Bonus depreciation now applies to used property (if purchased from an unrelated person and in a taxable transaction).
- **Charitable Contributions** – The general limitation on deductions of charitable contributions increases from 50% to 60% of adjusted gross income.
- **Mortgage interest** – The limitation on mortgage interest has decreased. The amount of mortgage principal for which a deduction is allowed has decreased from USD 1.1 million to USD 750,000. However, debt incurred on or before 15 December 2017 is grandfathered to the extent of $1 million of principal.
- **Miscellaneous Deductions** – Deductions (including investment expenses) that had previously been subject to a 2% threshold are no longer deductible. As a result, family office expenses are no longer deductible unless attributable to a trade or business.
- **Deferred Foreign Income** – 10% US shareholders (including individuals) of foreign corporations will generally be required to include their share of post-1986 accrued earnings. The tax can be paid in instalments (starting in 2017) at a reduced tax rate.
- **Estate and Gift Tax** – For US tax residents, the estate and gift tax lifetime exclusion amount has increased from USD 5.49 million to USD 10.98 million. This change does not affect non-residents, who still must rely on a tax treaty to get a meaningful reduction in estate and gift tax on the transfer of US property.

Many planning ideas that worked in the past, may no longer be viable (or may have limited benefit). High net worth individuals and managers of family offices should consider the impact of these changes.

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About WTS Global

With a representation in over 100 countries, WTS Global is one of the leading global tax practices offering the full range of tax services without the constraints of a global audit firm. WTS Global deliberately refrains from conducting annual audits in order to avoid any conflicts of interest and to be the long- term trusted advisor for its international clients. Clients of WTS Global include multinational companies, international mid-size companies as well as private clients and family offices.

The exclusive member firms of WTS Global are carefully selected through stringent quality reviews. They are typically strong local players in their home market being united by the ambition of building the tax firm of the future. WTS Global effectively combines senior tax expertise from different cultures and backgrounds be it in-house, advisory, regulatory or digital.

Our Private Clients and Family Offices team comprises tax experts, civil law professionals and other highly qualified personnel. Our international and interdisciplinary approach distinguishes us from our competitors and allows us to work out a tailor-made solution for our clients.

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