Insurance for High Net Worth Individuals

Wealth protection and legacy planning

HEALTHIER, LONGER, BETTER LIVES

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The EY organization is a leader in serving the financial services industry. We understand the importance of asking great questions. It's how you innovate, transform and achieve a better working world. One that benefits our clients, our people and our communities. Finance fuels our lives. No other sector can touch so many people or shape so many futures. The EY organization employs more than 284,000 people to provide services for clients worldwide.

The connected financial services teams are dedicated to providing assurance, tax, transaction and advisory services to the banking and capital markets, insurance, and wealth and asset management sectors. It's global connectivity and local knowledge that ensures EY teams help deliver the insights and quality services to help build trust and confidence in the capital markets and in economies over the world.

By connecting people with the right mix of knowledge and insight, we are able to ask great questions. The better the question. The better the answer. The better the world works.

For more information about the full range of our Financial Services, please visit https://www.ey.com/en_gl/financial-services.

About AIA

AIA Group Limited and its subsidiaries (collectively "AIA" or the "Group") comprise the largest independent publicly listed pan-Asian life insurance group. It has a presence in 18 markets in Asia-Pacific – wholly-owned branches and subsidiaries in Hong Kong SAR, Thailand, Singapore, Malaysia, Mainland China, South Korea, the Philippines, Australia, Indonesia, Taiwan (China), Vietnam, New Zealand, Macau SAR, Brunei, Cambodia, Myanmar, a 99 per cent subsidiary in Sri Lanka, and a 49 per cent joint venture in India.

The business that is now AIA was first established in Shanghai a century ago in 1919. It is a market leader in the Asia-Pacific region (ex-Japan) based on life insurance premiums and holds leading positions across the majority of its markets. It had total assets of US$284 billion as of 31 December 2019.

AIA meets the long-term savings and protection needs of individuals by offering a range of products and services including life insurance, accident and health insurance and savings plans. The Group also provides employee benefits, credit life and pension services to corporate clients. Through an extensive network of agents, partners and employees across Asia-Pacific, AIA serves the holders of more than
36 million individual policies and over 16 million participating members of group insurance schemes.

AIA Group Limited is listed on the Main Board of The Stock Exchange of Hong Kong Limited under the stock code "1299" with American Depositary Receipts (Level 1) traded on the over-the-counter market (ticker symbol: "AAGIY").

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Foreword by AIA

AIA has been serving and protecting customers across the Asia-Pacific region for more than 100 years. We're proud to have met the savings and protection needs of generations of people, and in doing so, we understand the critical importance of early planning and holistic wealth management to safeguard legacies well into the future.

In the past decade alone, we've seen the number of High Net Worth Individuals (HNWI) in Asia grow by average 10% per annum alongside the enormous growth of Asia's middle-class. Over time, this group of people has become increasingly diverse; from entrepreneurs or founders who are looking for family and legacy protection, to successful executives who are planning for their retirement. They all have different yet distinct needs.

HNWIs are looking for more from their insurance solutions. They're looking far beyond life coverage towards healthcare support, estate planning, tax optimization, business succession and debt risk mitigation. To make sure we're meeting the needs of all of these individuals, we've partnered with the EY organization, which is globally renowned for its tax and financial advisory experience. In particular, we'll be examining the needs of HNWIs when planning for family and legacy. We will also gain an understanding of the thoughts and concerns of successful business leaders when planning for their retirement. This white paper highlights most recent insights and findings.

Our customers demand the very best service, which means we only work with the very best professionals. We're delighted to partner with EY not just on this whitepaper, but to provide our high net worth customers with invaluable access to personal tax and legal advice. This partnership, and our HNW offering more broadly, is consistent with our promise of helping people live **Healthier, Longer, Better Lives** and our Vision to be the world's pre-eminent life insurance provider. We will put people first, not policies. Healthy living before health insurance. And offer products that don't just protect lives, they help make them better – every single day.

We hope you find the insights revealed within this paper valuable in helping you to plan yours or your clients' protection needs.

Stuart A. Spencer
Group Chief Marketing Officer

Executive summary

Today, the Asia-Pacific (APAC) region is home to the largest number of High-Net-Worth Individuals (HNWIs) in the world.

Over the past decade the region has shown the fastest growth, surpassing Europe and North America in total wealth. As a result, there has been a surge in demand for wealth protection and legacy planning products by the new generation of HNWIs.

With the vast number of HNWIs becoming more sophisticated in their approach to wealth management, an array of products are now offered in the market. However, due to cultural differences, perception and lack of familiarity with the concept, APAC HNWIs seem less eager to fully utilize the products available than their peers in other regions.

This publication offers guidance and insights that aim to demonstrate the simplicity and importance of wealth protection and legacy planning using life and health insurance solutions for HNWIs.

Specific challenges faced by entrepreneurs and corporate professionals are explored. It also analyzes current trends and behaviors of HNWIs toward insurance solutions, as well as how taxation can be factored into overall wealth planning.

We are pleased to collaborate with AIA experts in this report, we believe that you will find it useful and enlightening for your wealth protection and legacy planning journey, such that you will be able to assure the well-being of you and your loved ones.

US$141,219b

in total wealth within the Asia-Pacific region as of mid-2019.

Dustin Ball
EY Asia-Pacific
Insurance Strategy Leader,
Strategy & Transactions

Timothy Hung
EY Asia-Pacific
Insurance Wealth Strategy,
Strategy & Transactions

Introduction to the APAC HNWI landscape

Preface

After decades of strong economic growth across the APAC region, wealth protection and succession planning have become topics of intense interest. The region's private wealth continues to grow and according to the International Monetary Fund, its combined Gross Domestic Product (GDP) has surpassed one-third of the world's GDP.

In line with its growing economy, the APAC region now has the highest number of High-Net-Worth Individuals (HNWIs) in the world. According to Wealth-X's *High Net Worth Handbook 2019*, the APAC HNWI population is forecasted to grow by 2.6m to 8.7m in total by 2023.

HNWIs that have made their fortune driving the region's economic growth are now concerned with the preservation, growth and transfer of their wealth. This report explores how insurance solutions can assist HNWIs with wealth management, and analyzes the trends and insurance needs of HNWIs in the 21st century. In addition, tax considerations are explored to assist HNWIs fully realize the benefits of insurance.

This report aims to bring HNWIs along the wealth planning journey, from wealth protection to succession and legacy planning. Due to the fact that the majority of APAC HNWIs are entrepreneurs and an increasing number of professionals are reaching HNW status in the region, our study includes a deeper analysis of the two segments, examining specific challenges and corresponding insurance solutions.

Scope of study

This report has been prepared jointly by the EY organization and AIA. It examines the HNWI insurance landscape to bridge APAC HNWIs' wealth needs with available life and health insurance solutions in the market.

The report presents findings based on proprietary research, interviews with market participants, industry leaders and HNWIs and surveys distributed to HNWI customers in APAC. Robust qualitative and quantitative data were gathered and analyzed throughout the study.

Customer research covering HNWIs in 4 different regions (28% Mainland China, 30% Hong Kong, 5% Taiwan and 37% Singapore) was conducted to understand wealth and legacy planning practices and related insurance needs. Additional interviews with subject-matter experts were used to validate findings and gain further insight into the use of insurance solutions in wealth planning.

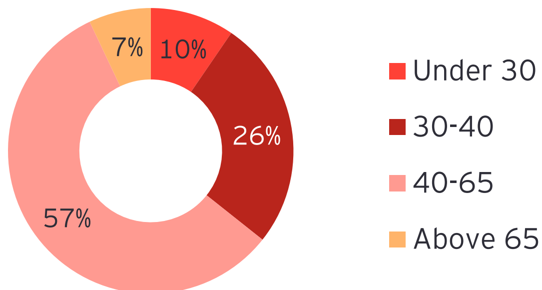
Region

Customer research was conducted for the following 4 regions:

- Mainland China
- Hong Kong
- Taiwan
- Singapore

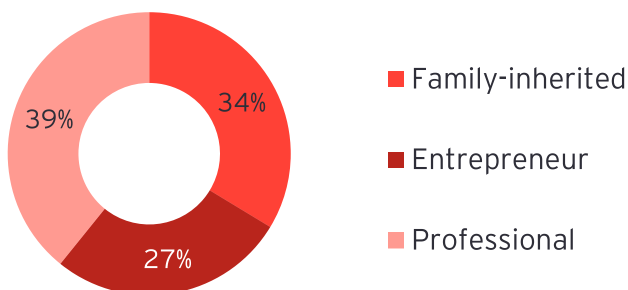
Age

The majority of HNWI survey respondents in APAC were within the 40-65 age bracket, followed by the 30-40 bracket.



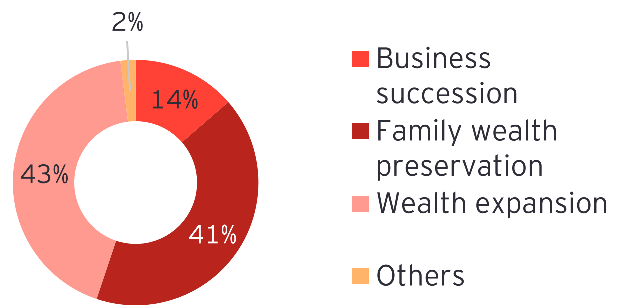
Segment

39% of the respondents surveyed were professionals and 61% were entrepreneurs and family-inherited HNWIs.



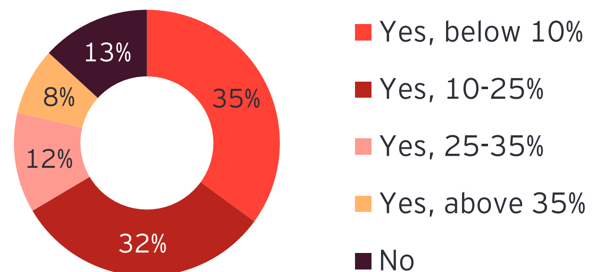
Focus of wealth and legacy planning

Most respondents indicated that the purpose of their wealth and legacy planning was family wealth preservation and wealth expansion.



Insurance allocation in wealth and legacy planning

52% of respondents replied that insurance comprises more than 10% of their wealth and legacy planning, illustrating the importance APAC HNWIs place on insurance solutions in their wealth and legacy planning.



Further customer research results have been included throughout this report, which has been structured in the following sequence for clarity and convenience:

1. **Insurance for HNWIs**
   Aimed to provide information applicable for all HNWIs
2. **Insurance for Entrepreneurs**
   Aimed at HNWIs with their own businesses
3. **Insurance for Professionals**
   Aimed at HNWIs working in a profession
4. **Tax and Legal Considerations**
   Tax and legal information for all HNWIs

HNWIs may benefit from either reading sections pertinent or reading the complete report for a comprehensive understanding of wealth protection and legacy planning.

How does insurance protect wealth and enable succession and legacy

Insurance to protect family wealth and facilitate succession and legacy planning

When HNWIs think about insurance today, they think far beyond the life coverage it provides. HNWIs see insurance as an asset that provides wealth protection, enables succession and enhances healthcare options. Insurance is essential to the investment portfolio, whether to balance a portfolio, to be leveraged upon or to plan ahead for the next chapter of life. This section covers the different ways HNWIs use insurance solutions to **protect, grow and transfer their wealth**.

72%
of HNWIs
believe that insurance plays a significant role in creating and preserving wealth

HNWIs' requirements regarding insurance are far more demanding due to their unique family, business and wealth management needs. Due to these unique needs, insurance holds a different meaning for HNWIs. Identification of specific risks and careful consideration of multiple factors are required to arrive at bespoke insurance solutions that cater to each HNWI's needs.

In addition to mitigating mortality and longevity risk, insurance solutions serve the following purposes:

- Family wealth protection
- Succession and legacy planning
- Savings and investment diversification
- Leveraging through insurance
- Liquidity planning
- Advanced healthcare procurement
- Tax deferred growth

Insurance solutions are increasingly recognized by HNW families as fundamental in **achieving totality in their wealth planning**. Insurance is actively utilized in estate distribution equalization, multi-jurisdiction wealth management and portfolio liquidity planning.

In addition to wealth planning, HNWIs are showing growing interest in the healthcare benefits of insurance such as premium healthcare services and advanced medical care networks. The topics in this section will cover the various ways insurance solutions are utilized by the HNWIs of today.

Family wealth protection

Insurance solutions have always had a place in HNWI portfolios because they provide family wealth protection for dependents, spouses and children. Despite their wealth, many HNWIs have an illiquid asset mix or outstanding obligations which may leave their family wealth unprotected if they were to fall ill or unexpectedly pass away.

Three key financial considerations must be reviewed when deciding on the protection coverage required for family wealth. These are:

Existing obligations
Financial obligations that require immediate processing such as medical costs, estate taxes and any outstanding liabilities due

Ongoing costs of living
Costs required for HNWIs' families to continue their standard of living including lifestyle, property and auto maintenance costs

Future costs
Planned singular costs for personal or business commitments such as higher education for children and planned business ventures

For HNWIs, insurance solutions are not just for protection, but also **strategizing and planning ahead**. This is because a long-term view is essential in wealth protection. It can act as a place to start a review of your financial needs and investment portfolio, and when implemented, serve as a solid basis to grow family wealth.

To facilitate that their wealth protection needs are met, HNWIs should conduct periodic reviews of their individual and family insurance coverage requirements with trusted advisors.

Succession and legacy planning

Succession and legacy planning requires a strategy to keep family wealth sheltered from internal risks and external threats. With early planning, HNWIs gain additional flexibility in building an optimal plan to balance current and future expenditures.

When planning, although different asset classes provide different benefits, certain assets exhibit features that are more suitable for succession and legacy planning. Important asset features for succession and legacy planning include **predictable returns, security, flexibility and liquidity**.

Life insurance contracts have pre-set benefits that can be paid immediately upon contract execution while keeping the structuring of benefits flexible. As mentioned later in this section, these contracts are also a popular tool for general liquidity planning. Furthermore, with insurance companies enjoying relatively high financial stability, life insurance is popular amongst HNWIs as a succession and legacy planning tool.

75%
of HNWIs
use life insurance for succession and legacy planning

With the strategic use of life insurance in succession and legacy planning, HNWIs can achieve the following:

- Family lifestyle protection
- Estate equalization
- Philanthropic giving

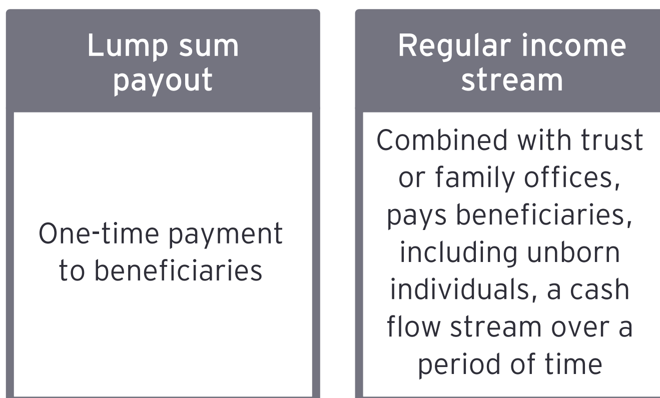
These applications are actively used by HNWIs today with each application tailored to individual, family and business needs.

Family lifestyle protection

The most common use of life insurance in succession and legacy planning is to facilitate that family members are taken care of and are able to continue their current lifestyle after the HNWI's passing.

HNWIs typically have sufficient wealth to provide protection for family members. However, due to obligations and illiquid assets, there still remains a potential risk of underfunding the lifestyle needs for family members. Younger HNWIs or HNWIs with a young family may be more prone to this risk as their families have a higher dependency on the HNWI. Life insurance may be employed to mitigate this risk.

Life insurance guarantees a cash payment when the benefit is paid. Family members can use the cash to settle urgent personal and business needs. The benefits paid can be customized to fulfill each individual's needs when combined with other arrangements typically structured as:



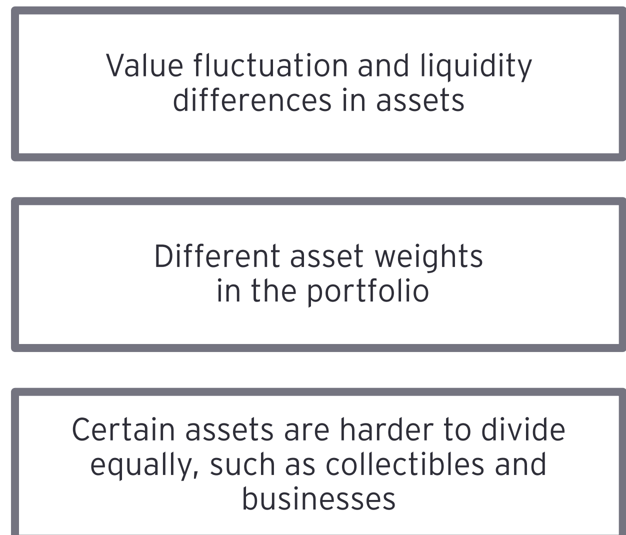
With life insurance, HNWIs can be assured that their family members' quality of life will be maintained.

Estate equalization

Once HNWIs have determined the appropriate funds that family members or beneficiaries require, it may be worthwhile for them to consider the different individual portions of benefits or asset types each beneficiary will receive. This can be the most important and difficult decision in the succession and legacy planning process as the balancing of asset distribution and family harmony is key to a successful plan.

Family harmony should be balanced with asset distribution

Estate equalization involves the active balancing of distribution of the HNWI's estate assets such that each beneficiary can receive a fair amount. This can help prevent disputes and maintain family harmony. However, as the HNWI's assets likely include a mix of asset classes, it may be difficult to make a fair distribution due to the following reasons:



In such cases, life insurance can be the solution. With life insurance, estate equalization can be achieved by using the benefits paid from the insurance policy to balance the estate received by each beneficiary. The cash proceeds from the life insurance policy are used to cover the differences in value for different assets that each beneficiary receives.

To further facilitate fairness and flexibility, life insurance policies can be used together with trusts or family offices to distribute benefits. This can be particularly useful in the following situations:

- Frequent fluctuation of asset value
- Multiple beneficiaries
- Complicated distribution mechanism
- Keeping heirloom assets within the family

With the incorporation of life insurance into succession and estate planning, the HNWI's estate can be divided equally and optimally between beneficiaries. Clear and timely distribution of the estate can faciliate that family harmony is maintained, disputes are prevented and the family legacy is continued. HNWIs should approach trusted advisors for advice on how insurance solutions can be used to equalize estates.

Estate equalization case study

Mr. Tan recently turned 50. He currently owns a large textiles business and has three children, Kunling, Mingchu and Sing. While wondering how he had already turned 50 on his birthday, he realizes that his children are also growing up fast and decides to plan for his succession and legacy earlier. Upon review of his finances, he discovers that because his main assets are his factories and rental properties, it would be hard to equally distribute his estate amongst his three children. Mr. Tan decides to speak with his trusted advisor for a solution.

Open discussion

His advisor suggests him to first discuss openly with his children on their wishes, and recommends an additional life insurance policy to meet future family needs.

Discovering desires

When Mr. Tan discusses with his family, he discovers that Kunling and Mingchu are both interested in his business and rental properties, while Sing has his own business venture idea he wishes to pursue.

Forming the plan

After an open family discussion, Kunling aspires to take up the textiles business while Mingchu is given the rental properties. Mr. Tan also decides to set aside funds for Sing to start his own business.

Implement

Mr. Tan buys a life insurance policy and sets up a trust to distribute his business, rental properties and cash to his three children in equal value. He does this by supplementing any differences in value with the life insurance benefit.

Result

Mr. Tan's children **inherit equal value assets that best suit their desires and abilities**. They feel equally cherished. Mr. Tan himself is happy to know that his **family's good relationships will continue** even after he passes away.

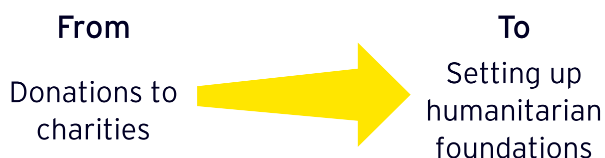
Philanthropic giving

Compassionate HNWIs aiming to improve the well-being of others may consider incorporating philanthropic giving into their legacy plan.

Philanthropy is about helping others that are in need and giving back to society. It is not restricted to a region or to any particular cause. HNWIs can give back to society in their own way. Some ideas include:

Setting up charities	Donations to social causes
Donations to universities and schools	Donations to hospitals and care centers
Donations to the underprivileged	Helping small businesses survive in difficult times

There is a wide spectrum to philanthropy:



No matter the size of the giving, the act itself involves the genuine kindness of believing in improving the lives of others.

HNWIs can structure their philanthropic giving as part of legacy planning to maximize the help they provide. Planning early can assist in making sure that your gift to society is a priority in your legacy and is received by those in need.

Typical planning for philanthropic giving includes:

1. Deciding how and for what the HNWI wishes to be remembered
2. Identifying the meaning and goal of the philanthropic act
3. Identifying the cause or organization to support
4. Determining the size and structure of the giving
5. Determining how the giving would affect family members and beneficiaries

The use of life insurance in philanthropy is becoming increasingly common and is favored among HNWIs due to it being straightforward, flexible and stable. Insurance solutions can be set up relatively easily, allow for additional deposits and help cash value to grow unimpeded by market fluctuations over long periods of time.

Other benefits include:

Giving size can be **pre-determined and guaranteed**

Flexibility in giving during one's lifetime or as part of a legacy

Greater giving due to cash value growth from interest earned

Giving can be **used as intended immediately** upon payment

Tax benefits can be used to maximize gifts

Life insurance may be used as a philanthropic giving tool as part of legacy planning.

There are several ways to structure gifting through life insurance to match HNWIs' requirements:

- **Gifting through a new policy**
  HNWIs can purchase a new life insurance policy with the philanthropy recipient being the beneficiary and the HNWI as the policyholder and the insured
- **Donation through an existing policy**
  HNWIs can gift cash during their lifetime to philanthropy recipients and use an existing life insurance policy to replace the gifted cash in their estate proceeds to beneficiaries
- **Gifting through trusts**
  HNWIs can appoint trusts to distribute their life insurance proceeds between family members and philanthropy recipients. This structure allows HNWIs to adopt a centralized plan for their estate
- **Maintaining gifting**
  For HNWIs that already regularly support causes, life insurance can allow them to continue their support as part of their legacy

HNWIs wishing to use life insurance for philanthropic giving in their legacy planning can consider discussing with trusted advisors on the gifting structure and tax benefits to best reflect their goals and maximize their aid to those in need.

Other succession planning methods

Trusts and family offices often complement insurance solutions when planning for succession and legacy. When they are used in combination with life insurance, additional flexibility and privacy can be achieved.

Family office

- A privately held company that handles a wealthy family's financial affairs
- Depending on the need, there are single family and multi-family offices

Trust

- A fiduciary arrangement that allows a third party to manage assets for the benefit of beneficiaries

HNWIs may discuss with advisors to tailor insurance solutions that match their succession and legacy planning needs.

Philanthropic giving case study

Michelle is married with no children. She has a successful business that she built with her hard work and the help received from private foundations. She felt that she was fortunate to have assistance along the way to her success, so she has always wanted to give back to the society and help aspiring entrepreneurs after her demise. Wishing to leave behind a legacy, she approaches her trusted advisor for advice.

Michelle decides to donate a portion of her life insurance proceeds to a charity that aids aspiring entrepreneurs.

She also wishes to maintain the current lifestyle of her loving husband after her demise.

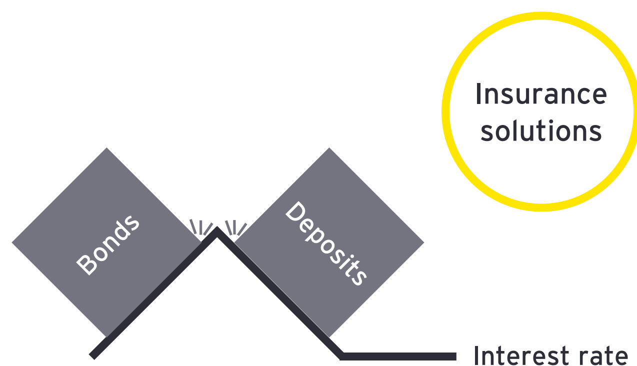
Michelle therefore set up a trust to make periodic donations to the charity after her demise and provision for the support and maintenance of her husband until his passing. For any undistributed portion of the trust assets would be donated to the charity.

By utilizing life insurance and a trust, Michelle is able to:
1) leave a legacy for people to remember her by, and
2) take care of her family while giving back to society.

Savings and investment diversification

Life insurance policies with savings features or annuity products typically provide guaranteed cash value. In the current volatile macroeconomic environment, allocating a portion of your investment portfolio to insurance solutions with stable returns can assist in growing wealth safely.

With rising political, economic and social instability, there is rising uncertainty in investments previously considered safe, such as bonds and savings deposits. With stable returns that are comparable to those seen in bonds and savings accounts, insurance policies may serve as a safe alternative in an unstable environment.



In addition, non-guarantee elements within wealth protection solutions have the potential for further returns in the long term. For HNWIs looking to balance their investment portfolio risk with an instrument that provides equitable returns, insurance solutions may be a worthwhile choice.

In addition to being an alternative to bonds and deposits, HNWIs are considering insurance solutions from a wider investment portfolio diversification standpoint. With the constantly changing international political scene and fluctuating world economy, HNWIs are ever more conscious of the risk that lies within their investments. Although hedge funds and private equity have traditionally been preferred by the wealthy, more and more HNWIs are looking to include insurance solutions to balance and secure their portfolio.

The cash value of insurance solutions brings stability to an investment portfolio by providing stable returns and shielding the portfolio from market fluctuations. Risk diversification has long been a reason for insurance to be included in investment portfolios, but its necessity has risen over time.

39%
of HNWIs holding more than USD5m of investable assets believe **diversification is a major feature that insurance offers to investment portfolios**

Life insurance can be a valuable investment for steady wealth growth that can withstand the test of time. The stable returns and diversification that it brings makes insurance a valuable candidate to be included in HNWI investment portfolios.

Leveraging through insurance

Life insurance is often used to leverage against for reinvestment purposes. In wealth creation, it can act as a tool to provide liquidity and increase overall investment returns.

HNWI clients consider insurance as a relatively **liquid portion of their portfolio** as banks are willing to leverage against it

Premium financing and policy loans are well-established leveraging tools based on life insurance policies. Although both investment strategies are loans on a insurance policy, their natures are different.

Descriptions are as below:

Premium financing

Borrowing an insurance policy premium from a financial institution and subsequently utilizing part of the policy proceeds to clear the loan

Policy lending

Taking out a line of credit by pledging a life insurance policy to a financial institution. The line of credit is drawn against the policy's cash value and is typically used for investments with the same institution that lent the funds

Premium financing

Premium financing is mostly used when HNWIs wish to buy high coverage insurance, but prefer not to use their capital or liquidate assets to pay the premiums. The premium is borrowed from a financing institution and interest on the credit facility is covered over the life of the policy while the principal is paid through the policy proceeds.

When a premium finance policy is structured appropriately, it can provide the flexibility for HNWIs to meet their insurance needs, while allowing their funds to be employed in other assets. In particular, during a low interest rate environment it may be favorable to take advantage of differences in policy returns and loan interest rates through the use of premium financing.

Policy loan

A policy loan is a secured credit facility pledged by a life insurance policy with the loan amount subject to the current cash value of the insurance policy. Flexible or full loan repayment can be made throughout the policy duration or otherwise deducted from the benefit payment. If the sum of the outstanding loan and accrued interest exceeds the current cash value, either the loan will be called or the policy will be surrendered.

Stating the loan purpose is usually not required when taking out a policy loan and the loan can be used in any matter. Furthermore, loan disbursement is quick. Policy loans can be useful when liquidity is needed promptly such as for time-bound investment opportunities.

In addition, depending on the market, policy loans may be tax-free. Policy loans, if used prudently, are a tool to provide timely and guaranteed liquidity for growing wealth.

Using life insurance policies for liquidity and leveraging for wealth creation can be a quick and easy solution. However, there are key considerations to be made before opting to apply, including:

The risk appetite of the lending institution and corresponding assessment of the collateral policy	Interest rate changes over time
Policy rights being assigned to the lender prior to any surplus value or benefit being available	Settle or repay the loan principal over time or as a lump sum payment
Pledging the policy may require cancellation of the initially nominated beneficiary	Whether the benefits realized will outweigh borrowing cost

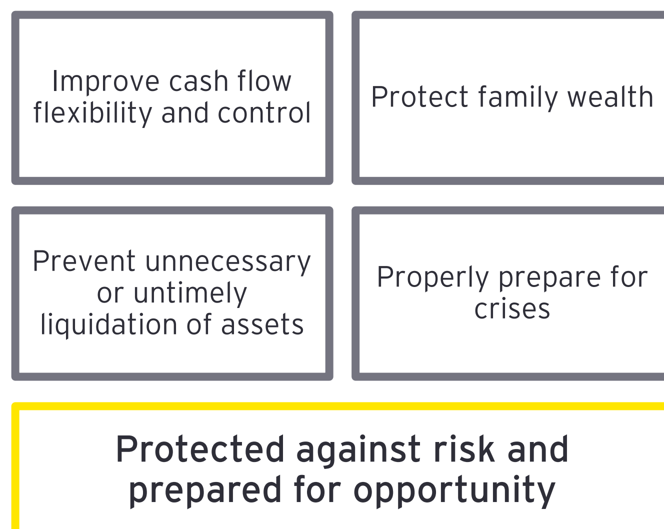
When considering leveraging through insurance it is important to assess your ability to maintain the pledged policy over the long term so that all the benefits of protection, liquidity and leveraging can be realized.

Liquidity planning

Liquidity planning has long been touted by private banks and financial experts as an important component in wealth management and succession planning. Insurance can allow HNWIs to plan for long-term liquidity and bring sustainability and flexibility to their investment portfolio.

Liquidity is vital in various situations, such as attractive investment opportunities, financial crises and medical treatment requiring immediate funds. These situations are usually unexpected, require a quick response and have a substantial impact on an HNWI's life. Liquidity planning is key for the protection of HNWIs and their wealth.

A common misconception is that HNWIs are immune to liquidity issues, but HNWI portfolios are often largely composed of illiquid assets such as real estate, private ownership shares and collectibles. Comprehensive and periodic liquidity review and planning is necessary to facilitate sufficient liquidity. Doing so can provide the following benefits:



Insurance is an exceptional tool for liquidity planning as financial instruments rarely have built-in liquidity. It can be utilized as a solid foundation for early liquidity planning. Insurance policies can have numerous applications in liquidity planning such as:

- Debt protection planning
- Family wealth liquidity planning
- Personal liquidity planning
- Cash income stream

Debt protection planning

Often life insurance with leveraged sums assured such as whole of life or term insurance is used for debt protection planning, providing liquidity to HNWI portfolios so that debts can be paid off instantly if they are called upon.

Most HNWIs in the APAC region allocate a large portion of their wealth to illiquid assets such as real estate and business operations. This means that if a personal or business debt has to be repaid immediately, the sudden liquidity drain can strain resources and have a substantial impact on the overall portfolio. This is particularly true when HNWIs are temporarily short on liquidity or when the family is required to make a debt payment in short notice due to the HNWI's unexpected demise.

If HNWIs or their family members are unable to refinance outstanding debt in a timely manner, the lending financial institution may call for the debt to be settled. Such actions may lead to forced, unnecessary or suboptimal sale of the HNWI's assets.

In the case of unexpected demise, the HNWI's family can utilize the benefits received to repay outstanding loans immediately. In special situations such as a mortgage loan on the family home being called, the benefits paid from a life insurance policy can provide immediate relief and prevent unnecessary relocation.

Life insurance is a simple solution for liquidity planning and debt protection that HNWIs can utilize to strategize long-term family and personal liquidity needs.

Family wealth liquidity planning

As mentioned above, it is important for HNWIs to maintain liquidity for family members to service debts or other liabilities such as tax in case of their unexpected demise. In addition to shielding family members from debt obligations, liquidity should also be maintained for family members to continue their current lifestyle.

Assets may be illiquid or not within an optimal timeframe for liquidation, stock dividends and bond interests are paid out on a fixed schedule, and even if assets are sold, there may be an extensive period before fund disbursement.

In contrast, life insurance benefits are typically paid out immediately. Family members will be able to utilize the pre-determined cash payout immediately to relieve any debt and maintain their lifestyle even in difficult times.

Insurance advisors and trusted advisors will also be able to provide financial guidance and care for families that need help during unexpected events.

Maintaining life insurance policies as part of overall wealth management and liquidity planning can help HNWIs' families maintain stability and protection in both their portfolios and their lives.

Personal liquidity planning

Portfolio liquidity is tested when unforeseen events arise. Having the necessary liquidity during special circumstances can assist in maintaining overall financial well-being or even health. Most HNWIs will not allocate a high percentage of assets to deposits due to the low return and as a result, a shortage may occur when cash is needed most.

Life and health insurance can be reliable tools to facilitate timely liquidity is available for incidents such as investment portfolio restructuring, investment opportunities or development of a critical illness.

Medical care is essential to everyone, including HNWIs. Health insurance not only provides the required liquidity for medical treatment, it also allows HNWIs to gain access to first-class medical services. The extensive healthcare network that insurance companies possess can assist HNWIs in obtaining state-of-the-art medical care in emergencies or when battling long-term critical illnesses.

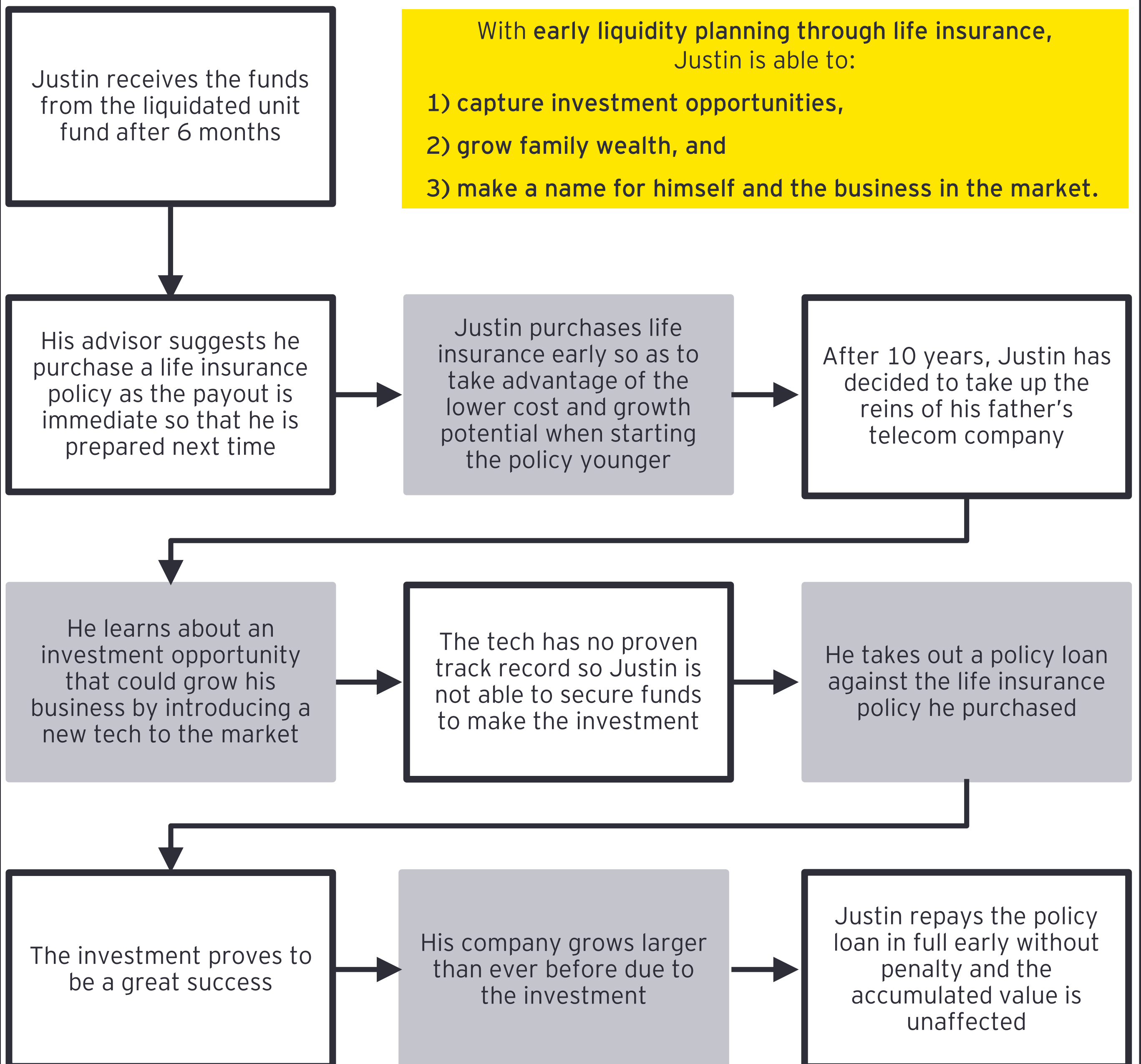
Life insurance
instills tranquility
in turbulent times by providing liquidity to maintain current lifestyles

Liquidity planning case study

Justin is a 35 year-old entrepreneur. His father, who owned a telecom company, passed away two years ago. His father was an art and vintage car collector, and most of his legacy was in art pieces, collectible cars and real estate. Justin's father also had held a unit fund which he intended to be used by Justin for his cash needs.

Having his own successful business and income streams, Justin did not intend to use his father's legacy. That was until a great investment opportunity came up one day. Justin decided to liquidate the unit fund to grasp the opportunity, but when he approached his advisor, he was told that the unit fund needed 6 months to liquidate. Finding buyers for other illiquid assets his father left behind takes even more time.

Since the investment opportunity could not wait 6 months, Justin had to pass on it, but decided that this would not happen to him again.



Similarly, life insurance can also provide well-timed security for personal financial emergencies, and can be used to quickly and easily address sudden liquidity needs. As seen with the liquidity planning case study, transfers and capturing of investment opportunities can be facilitated with ease.

Furthermore, due to the nature of insurance solutions, the well-being of HNWIs and their beneficiaries is protected while additional features and proceeds can be used to fulfill various liquidity needs when required. Proceeds can be used on new business venture opportunities, transferring shares of a business or to protect family wealth. The liquidity it brings can be tailored to the individual needs of each HNWI.

Life and health insurance policies can be reliable investments that provide timely liquidity when it is needed most.

Cash income stream

HNWIs interested in maintaining constant cash income streams for themselves or family members can consider purchasing annuity type products. Annuity products are especially useful for HNWIs that have the majority of their wealth tied up in company equity. By purchasing a fixed annuity, periodic cash payments will be received at a pre-determined rate during the payment period. With the flexibility in choosing the payment period, accumulation period, rate type and payment type, HNWIs can customize a liquidity plan that best suits their needs.

Using life and health insurance to plan for liquidity facilitates stable returns and timely withdrawals together with the unique healthcare network from insurance companies that cannot be found elsewhere. When planning for liquidity, it is valuable to consider the benefits that life and health insurance can contribute to form a well-rounded liquidity plan.

Advanced healthcare procurement

In recent decades, new diseases have appeared spurred by increasing global connectivity and fast changing human lifestyles. In addition to diseases caused by urban lifestyles, sporadic outbreaks have become a real threat to everyone including HNWIs. Consequently, HNWIs are increasingly interested in purchasing insurance solutions to acquire advanced healthcare for themselves and their families.

Medical and critical illness protection can prepare HNWIs for health issues in ways no other financial instrument can. Not only does such protection provide coverage for any medical costs that may arise, it also offers first-class healthcare support for HNWIs by utilizing the innate capabilities of insurance companies.

33%

of HNWI responses indicated ownership of **medical or critical illness insurance policies**

In the past, most HNWIs deemed health and critical illness insurance as unnecessary. This is not so true today. Having health and critical illness insurance is no longer simply about having the money to pay for medical costs, it is also about access to the best medical care available.

Most HNWIs have already realized this and actively include health and critical illness insurance in their portfolios to facilitate that they and their families have access to the best medical services.

To service these needs, insurers now offer premium health and critical illness insurance to HNWIs. These solutions typically provide core benefits such as worldwide coverage for hospital stays, time-saving day surgeries, specialist networks, extended post-hospitalization care and global emergency treatment.

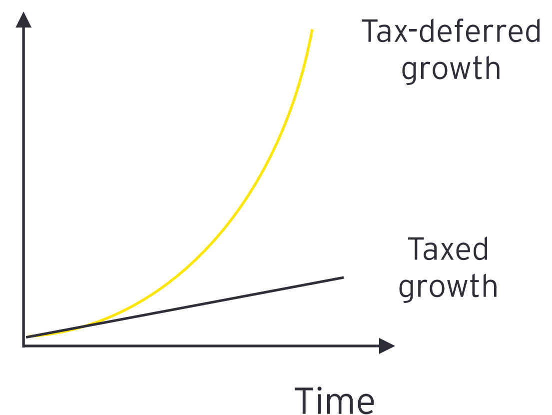
HNWIs that are building a plan for medical emergencies, especially those seeking confidence in any situation, may approach their advisor to acquire health and critical illness insurance that suits their needs.

Tax-deferred growth

Life insurance is a special vehicle where the cash value of the policy may grow tax-free or tax-deferred, unlike most wealth creation vehicles. With tax-deferred growth, no taxes are paid until withdrawal, allowing the money to grow at a faster rate than in a taxable investment vehicle. Tax-deferred growth can have a substantial impact on overall wealth creation, especially when the initial investment is sizeable.

Growth potential is diminished when investment gains are taxed as earned. This is especially true when investments take advantage of compound interest or continuous investment, both of which are common ways HNWIs grow wealth over an extended period of time.

The potential for exponential growth is stunted when taxes are imposed periodically. With life insurance gains not being taxed, the return each year has the potential to be greater than other investment vehicles that undertake the same risks. The gap further widens with time. The effect is illustrated below.



Due to the internationally recognized and notably stable tax treatment of life

“

Health is an intangible asset that needs to be maintained for one to live happily. It is also a way to care for your family, enabling you to look after them rather than the other way around

- HNWI executive at a leading manufacturer

insurance, insurance proceeds are generally tax-free or tax-deferred. HNWIs in search of protected and stable growth may discuss with trusted advisors on how life insurance can be utilized to balance and reach totality in their wealth planning.

Life and health insurance plays a key role in HNWIs' wealth protection and succession and legacy planning. With the numerous applications and related benefits offered by insurance solutions, from protecting family lifestyles to providing support during illness, it is essential for HNWIs to include life and health insurance in their portfolio. Indeed, insurance solutions may be the most valuable and meaningful investment that HNWIs can make as the value they bring in times of need is incomparable to any variable investment return.

Early action is key for HNWIs seeking to maximize wealth protection and plan for succession and legacy. With insurance solutions in place, HNWIs can be assured that their wealth is protected and their future is planned, with reserves on hand and a strategy for the unknown.

In order to fully utilize the benefits of insurance solutions, HNWIs are encouraged to speak with a trusted advisor on their personal and business needs. With this information, advisors will be able to suggest solutions that are tailored and worthwhile to HNWIs

How does insurance protect you and your business

Insurance as a key business solution

Life and health insurance can serve as an integral part in the planning, protection and transfer of an HNWI's business. Entrepreneurs are generally aware of the need to secure their financial future, but often do not know how.

54%

of HNWI entrepreneurs[1]

have business protection through insurance solutions

Entrepreneurs today are more sophisticated than ever, looking for solutions that best suit their evolving business wealth protection requirements, including:

1. Business loan and personal guarantee protection
2. Health and illness income protection
3. Business transfer and legacy planning
4. Inheritance equalization
5. Inheritance tax and other useful tax information
6. Post business retirement planning

This section provides answers on how entrepreneurs are meeting these requirements and their latest needs.

Businesses can face a multitude of complexities caused by the demise or illness of a key person(s), a business loan guarantor or an entrepreneur. The impact of any of these complications can be critical to the business.

Sufficient insurance is a simple yet effective tool to manage risk and allow the entrepreneur to focus on business. Policy proceeds can be used to provide the required liquidity for the following:

- **Business loan protection**
  Maintaining cash flow for business loan repayment following loan review and managing the overall business debt
- **Key person(s) executive planning**
  Using the proceeds to employ a qualified replacement to reduce revenue loss and prevent delays in major projects
- **Shareholder protection**
  Transferring the business ownership and / or legacy through a buy-sell agreement to facilitate the continuity of the business, and protect its shareholders and the entrepreneur's family

1 Entrepreneurs who also purchase insurance locally

Wealth protection can be a key business solution by ensuring the viability and continuity of the business. By ensuring that the business continues to operate and **supporting growth** through successful planning, life insurance can allow entrepreneurs to focus on managing their business.

The following section explains key areas of business protection insurance in detail.

Business loan protection

The unexpected demise of entrepreneurs or loan guarantors can lead to early if not immediate repayment of the business loan, which may result in damage to the business.

Only **13%**

of HNWI entrepreneurs[1] have **business loan protection through life insurance**

Successfully planned protection through life and health protection insurance can facilitate liquidity for the repayment in such case, and non-bank creditors may require that a protection cover be in place prior to advancing a loan.

Financial institutions will often take security over the guarantor's fixed assets, such as a business property or family home. Under such circumstances, loan protection is crucial to safeguard the guarantor, where in the event of a loan default due to the passing of the guarantor the assets would be claimed and sold by the institution.

In the event of loans being called when an entrepreneur has fallen critically ill, health protection insurance benefits can assist in maintaining liquidity such that assets need not be unnecessarily liquidated.
In addition to business loans, directors' loans and financing through personal guarantees are a common area where loan protection through life and health protection insurance can be applied. These types of liabilities are often given on an unsecured basis and loan protection can prevent the business from needing to liquidate assets for repayment.

Furthermore, successful planning with loan protection can prepare the business for unforeseen events such as liquidity or litigation issues.

In all instances, life and health protection insurance can be a **simple yet effective way to provide protection from liability** repayment. Planning ahead with protection safeguards the future and viability of the business.

Key person(s) planning

One of the most common business protection insurance policies is key person insurance. Key persons may include:

C-suite
Executive-level managers within the company that have vital experience, relationships and understanding of the business

Sales professionals
Top salespeople that hold key customer relationships, and therefore bring in a significant share of total revenue

Technical experts
Technical experts that have deep knowledge of business operations or know-how concerning products and services

Intellectual property experts
Individuals with intellectual property characteristics involving the design and engineering of products and services

1 Entrepreneurs who acknowledge life insurance's role in preserving wealth

Key person insurance is a life insurance policy taken out against a key employee of a business. The beneficiary of the plan is the business and the key person is an individual whose knowledge, creativity, reputation or skills are vital to the sustainability and growth of the business.

33%
of HNWI entrepreneurs[1]
use key person(s) executive planning to facilitate business continuity

Loss or disability of a key person can lead to a substantial negative impact on the business such as:

- **Loss of profits**
  Financial loss caused by reduced sales revenue triggered by lost business relationships, competitive product or service design, or operational efficiency previously provided by the key person
- **Withdrawal of credit facilities**
  Loan reviews following the demise of a key person may result in withdrawals by creditors, who had previously lent money due to the key person's ability to grow the business, and might result in immediate repayment of loan
- **Loss of competitive advantage**
  Loss of intellectual capability that may have been the competitive advantage of the business, such as product design skills and service know-how
- **Delayed timeline of projects**
  Delays and complications in projects that were overseen by the key person may have financial implications as well as an impact on its reputation
- **Loss of shareholder confidence**
  Dwindling confidence in the business caused by the loss of trust that shareholders had in the deceased

In the worst-case scenario, a mixture of such consequences can result in business insolvency and closure. Life and health insurance can be used to prevent such circumstances by providing necessary financial liquidity to address problems immediately as they arise.

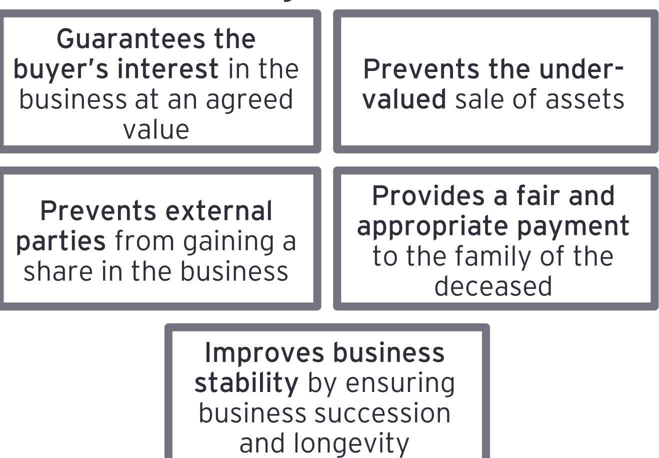
In order to successfully plan for the future of a business, it is essential for entrepreneurs to insure their human capital.

Shareholder protection

In business partnerships, a buy-sell agreement may be used to plan for a **smooth ownership transition**. A buy-sell agreement is a legally binding contract between two or more shareholders detailing how the business equity will be divided if an owner passes or under other circumstances such that ownership has to be shifted, including critical illness or disability.

Buy-sell agreements are typically funded through shareholders purchasing life insurance on each other. In the event of the passing of a shareholder, the life insurance generates a cash proceed that is made to the deceased's beneficiaries in exchange for transfer of the deceased's business shares to the remaining shareholder(s). The beneficiary, typically a family member, will receive a guaranteed cash amount as the payout does not rely on the future liquidity of the business.

In addition to guaranteed settlement, buy-sell agreements provide the following additional advantages:



1 Entrepreneurs who acknowledge life insurance's role in wealth planning

Buy-sell agreement case study

Ben is a 38 year-old entrepreneur. He recently started Dynasty Tech., a tech start-up firm, with his business partner, John. Ben devotes all of his assets and effort into Dynasty Tech. He also just started a family. In order to plan for the survival of his company and the well-being of his family, Ben decides to enter into a buy-sell agreement with John. However, John is concerned with liquidity as he would have to purchase Ben's shares upon Ben's passing.

Step 1

Ben and John enter into a buy-sell agreement funded by a life insurance policy in which should one of them pass away, the policy will provide a source of funds to purchase the deceased partner's shares

Step 2

Dynasty Tech takes out life insurance policies for both Ben and John

Step 3

Upon Ben's unexpected passing, the life policy will pay the benefit to Dynasty Tech to redeem Ben's shares and redistribute to John

Outcome

Dynasty Tech redeems the shares and pays the respective amount to Ben's family for their well-being and living standard maintenance

Ben's shares are redistributed to John through a simple share transfer

In addition to having the company set up a buy-sell agreement as illustrated above, there are various other structured agreements such as:

1. Cross-purchase agreement
2. Trusteed cross-purchase agreement
3. Hybrid agreements

Other than the loss of a shareholder, in the event that an entrepreneur is unable to manage the business due to illness or disability, insurance proceeds such as critical illness benefits can be utilized in assisting with business protection or transfer. Entrepreneurs can gain relief by having a portion or all of the financial obligation settled through wealth protection insurance products.

In order to achieve complete shareholder protection, entrepreneurs are advised to have periodic business evaluations to understand the current value of their business and its shares. According to a survey of HNWIs, 44% of respondents regularly revaluate their businesses. Doing so enables entrepreneurs to adjust their life insurance coverage and **secure adequate protection** during settlement of buy-sell agreements.

Prearrangement of business succession

Successful business planning through a buy-sell agreement with underlying life insurance can facilitate that the business HNWIs have built is protected from external interference. By prearranging succession, the entrepreneur is able to **mold the future direction of the business** and facilitate business succession and longevity.

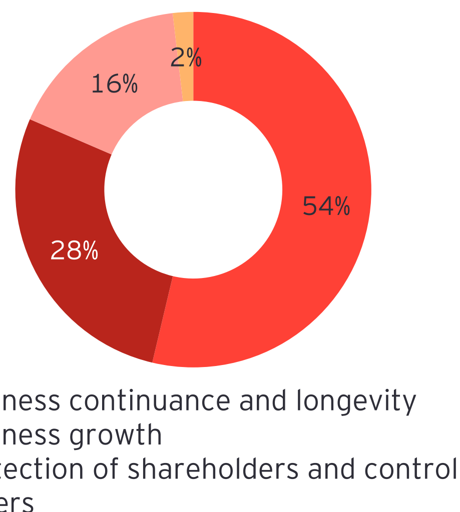
Successful business succession planning involves careful consideration and early action. A buy-sell agreement obliges the designated participating family member or business partner to buy the predetermined shares and the estate to sell the corresponding shares. This allows entrepreneurs to prearrange the successor and thus avoid future uncertainty.

High value life insurance can also be utilized to facilitate that HNWIs' personal and business assets are distributed fairly. The life insurance payout can pass an equivalent amount of cash as the value of business assets to beneficiaries who are not active in management of the business and do not wish to participate in the future. The control of the business and its assets can then be passed to those beneficiaries who are active and willing to manage and grow the business. The business will benefit from early selection of **motivated successors** to reduce uncertainty and risk, while all heirs are compensated equally.

All in all, partners or designated successor(s) and family members are **guaranteed control of the business and proceeds from the policy**, respectively.

Through key person(s) executive planning, business loan protection and shareholder protection with succession planning, HNWI entrepreneurs can **safeguard the future of the business** and at the same time mold the pathway for future growth.

Entrepreneurs' primary focus when considering business succession

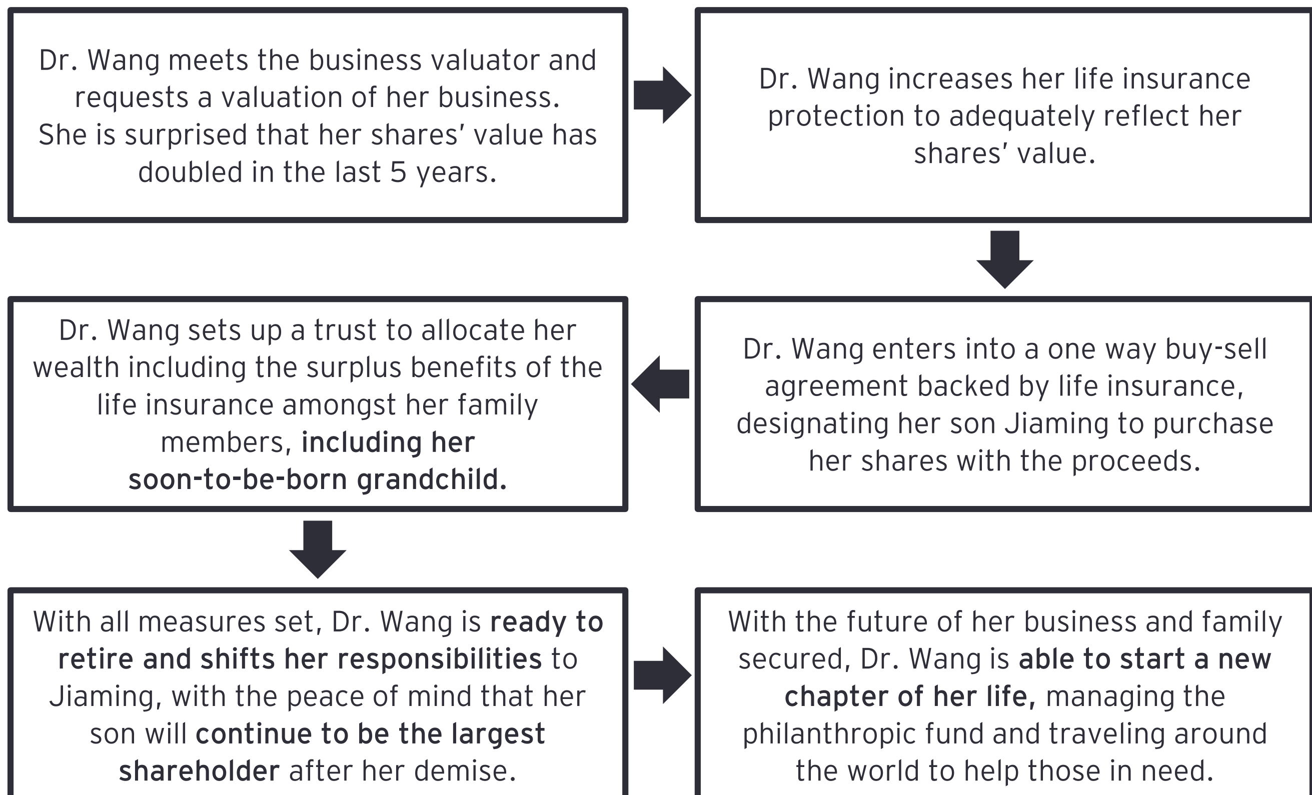


> Periodic evaluations of the business will allow owners to adjust their life insurance coverage to facilitate adequate protection
>
> *- Asia leading financial services executive*

Business succession case study

Dr. Wang, 60 years old, is the largest shareholder of the most successful family-owned pharmaceutical company in APAC. The business has been extremely successful and her company periodically files patents and invents highly successful drugs. Dr. Wang has been diligently working her whole life. As she considers starting a new chapter in her life, she is considering to retire from the company and focus on managing the philanthropic fund she and her husband set up to find new fulfillment in her life. However, she wants to make sure in the future, after her demise, her shares will remain with the elder of her two sons, Jiaming, who has always shown interest in managing the company.

After speaking with an advisor, the use of life insurance to prearrange business succession was suggested, as the transparency and certainty of the agreement facilitates that the transfer of ownership is settled swiftly without disputes and with minimal interference to the business. However, when asked by the advisor on whether her life insurance has enough coverage, Dr. Wang is unsure as she is not clear on her shares' current value. Her advisor recommended a business valuation referral service.



Through **early succession planning,** Dr. Wang is able to:

1) **facilitate the continuity of her business,**

2) **take care of her family, and**

3) **realize her dream of helping those in need.**

Latest needs of entrepreneurs

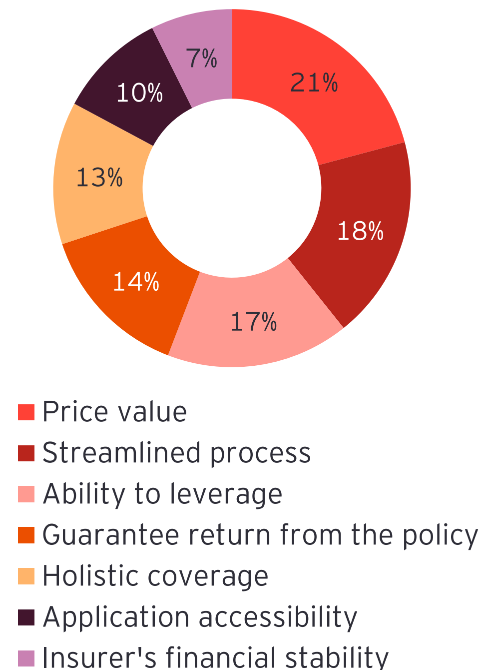
Based on interviews conducted with subject-matter experts and industry participants, the entrepreneurs of today look for ease of application, accessibility and a personal-business-wide holistic approach when purchasing insurance solutions.

According to a banking executive who advises entrepreneurs on business planning, convenience is a key consideration for entrepreneurs when purchasing business protection, as HNWI entrepreneurs prefer to focus their energy on running their business. HNWIs have limited time to handle the administrative aspects of purchasing insurance products and are looking for simple and accessible onboarding such as remote onboarding and other time-saving measures to help fast-track the purchasing process.

As a result, insurers have found ways to reduce the hassle involved. For example, leading insurers provide high value insurance underwriting for HNWIs, eliminating the time for HNWIs to find a second insurer to underwrite high-value assets.

As shown on the right, 13% of HNWI entrepreneurs' responses indicated that holistic coverage is a priority key consideration when purchasing business protection. There is growing demand for insurance to meet both personal and business needs, covering all aspects of the wealth management process, including wealth creation, preservation, business succession and legacy planning. In addition, entrepreneurs are increasingly looking for professional business advisory services to match their business protection solution needs.

Priority of key considerations when purchasing business protection



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Entrepreneurs want a streamlined process and holistic coverage

- HNWI founder of an Insurtech company

Entrepreneurs are increasingly seeking a one-stop solution for personal and business wealth management advisory services, as it is hard to make decisions for one without consideration of the other. Insurers may address such demand by offering referral services to customers. Leading insurers offer trust referral and tax and legal advisory referral services for their HNWI customers. Business restructuring and advisory services are increasingly incorporated into wealth management and insurance solutions for **greater benefits through synergy** between the different products and services.

Life insurance plays an important role in the preservation of personal wealth and business succession for entrepreneurs. Future business protection may come as a bespoke business solution complete with protection through custom-built life insurance and complementary business advisory services.

A holistic, fast and accessible insurance solution not only provides complete protection to HNWI entrepreneurs, but also saves the one thing that they desire as equally as others, **time to do what they love**.

In order to benefit from utilizing life insurance for business protection, entrepreneurs can start by evaluating their business and protection needs. Clear valuation of business and protection needs will facilitate successful financial planning for the business

How does insurance protect and grow your wealth on your journey to retirement

Insurance as a tool to protect and grow wealth on the journey from planning to enjoying your retirement

The HNWI demographic in APAC has changed significantly in the past 10 years. A growing number of high-earning successful executives and professionals have attained HNW status due to economic growth. APAC salaries are expected to grow higher than the global average, and thus the share of HNWIs that are successful professionals is expected to continue to grow in the future. This section will discuss **strategic wealth management to meet these HNWIs' retirement needs.**

92%

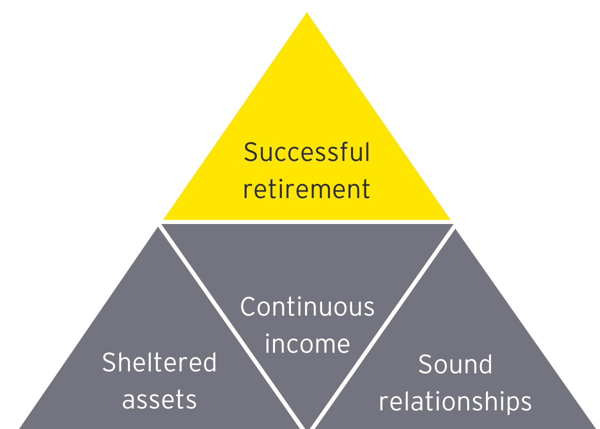
of HNWI professionals **consider retirement planning as an important part of overall wealth management**

The process of transitioning from working to retirement might not be as straightforward as it seems for many successful individuals. A **successful transition requires precise and comprehensive planning**, as this major milestone in life results in changes that span different areas of wealth planning.

This section illustrates best practices adapted by successful professionals on their journey to retirement in the following areas:

1. Income and lifestyle planning
2. Asset preservation
3. Risk diversification
4. Protection and liquidity

Retirement is a time to be enjoyed, doing the things one has always wanted to do. Strategic planning is required to keep your mind at ease. Only when you know that you have a stable flow of income, your assets are sheltered from major market fluctuations and your business relationships are sound, can you fully enjoy the sense of well-being and tranquillity to be expected from retirement.



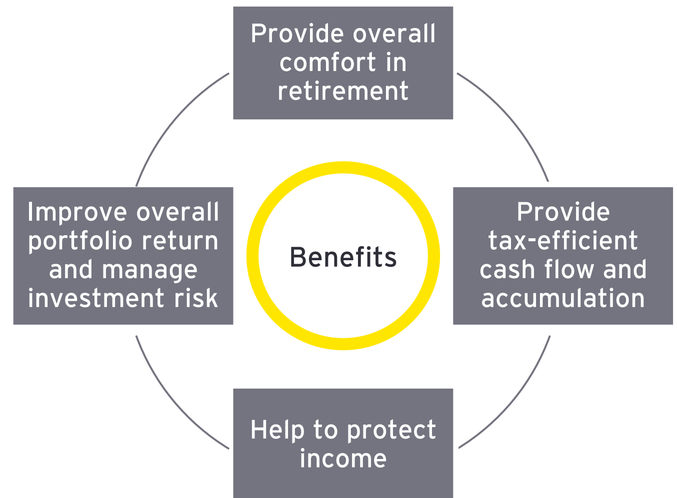
Income planning

Pension plans are becoming less common. Over time, the responsibility for retirement income planning has shifted from the company to employees. **Individual retirement income planning has become crucial.**

As a general rule, HNWIs should expect to require **50 to 70% of their pre-retirement annual income to maintain their current living standards in retirement.** When calculating the required retirement income, It is important to take into account the rate of estimated inflation, so that living standards can be maintained as costs change.

In the increasingly volatile macroeconomic environment, retirement planning can be a strenuous task. **High value life insurance can be a simple yet effective solution** to this problem. It can provide significant cash value and benefits to form a sound retirement income plan. Choosing the right type of life insurance and the appropriate amount of coverage can provide numerous benefits to retirement planning.

These benefits include:



For HNWIs with a spouse, it is also important to insure both individuals when planning for retirement. This facilitates in the event of one's unexpected passing, the remaining spouse is taken care of with the income flow required to live on.

HNWIs may benefit from early adjustment of their investment portfolio on their journey to retirement. Reducing fixed assets (e.g., large family homes) and reallocating capital to investments that **build up passive income** can provide the financial stability and flexibility HNWIs need in retirement.

40%

of HNWI professionals agree that

income planning

is essential for retirement planning

Lifestyle planning

Lifestyle planning is crucial to a well-rounded retirement income plan. It helps your retirement plan includes the leisurely lifestyle you are looking forward to. Costs can generally be broken down into two categories:

Fixed costs	Variable costs
▸ Property and auto maintenance ▸ Lifestyle essentials ▸ Tax	▸ Investments in lifestyle and collectibles ▸ Leisure (e.g. cruises, golfing trips, etc.)

Both fixed and variable costs need to be considered to develop a retirement plan that meets your lifestyle expectations. By **identifying the fixed and variable costs** in the plan, a better financial strategy can be adapted **to enhance your flexibility to spend on what you love to do.**

64%
of HNWI professionals younger than 40
have not focused on lifestyle leisure planning when planning for retirement

Stress testing the retirement plan and accounting for costly purchases, such as kick-starting business ventures for your children or purchasing a new yacht before retirement, can further appraise an HNWI's financial security during retirement. With early planning and insurance in place, HNWIs may realize that they can enjoy their financial freedom sooner then expected or be assured that they will enjoy a comfortable retirement.

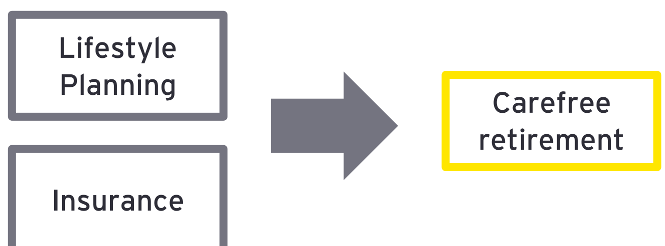
Other costs

When planning your retirement it is always prudent to consider your dependents' income needs as well as your own. For HNWIs who have children that require financial support to supplement their own income, they should be mindful that this support may be required to continue throughout the retirement. Having early conversations with your dependents may help you visualize the level of support you are willing to commit and align with your dependents' expectations, so that you and your dependents can continue enjoying life after retirement.

Elderly parents may also continue to need your support after your retirement. The standard of care has risen significantly over the years and so has life expectancy. As a result, healthcare costs are expected to be higher in the future.

This transcends to retiring HNWIs. As healthcare is needed by everyone and costly needs cannot be predicted, it is key to maintain medical insurance for you and your family years prior to the time of need. In addition, insurance advisors are able to suggest better hospital networks for better medical care or act as a guidance channel when unexpected incidents arise.

Lifestyle planning and insurance allows you to enjoy your retirement without worrying about leisure costs, family lifestyle costs and your own healthcare expenses. With the peace of mind that this provides, HNWIs can relax and find fulfilment and pleasure in their retirement.



Early planning for expected income and costs is a key success factor to enjoyable retirements and the upkeep of good family relationships. With everything in place before their retirement, HNWIs can focus on enjoying the pleasure and wellness they are entitled to after many years of hard work.

Retirement case study

Junming is a 40 year-old plastic surgeon at a private hospital. Owing to his successful career, he plans to retire early at 55 years old to enjoy a leisurely life with the wealth he has accumulated. He also has a son in college who wants to start a tech company when he graduates. Junming approaches his financial advisor to come up with a plan that would allow him and his family to enjoy the same or even better lifestyle than he currently pursues after his retirement.

Age 40

Junming discusses with his advisor his lifestyle expectations and related income needs during retirement

His advisor suggests him to purchase a life insurance policy with a savings component early on to take full advantage of the accumulating guaranteed cash value

After 5 years, Junming reevaluates his plan with his advisor. With his higher than expected salary increase and the accumulated cash value in the life insurance policy, he is able to retire even earlier than planned

Junming continues his medical practice and lives a leisurely lifestyle

His insurance policy pays a non-guaranteed dividend, and Junming decides to withdraw it and use as a seed fund for his son's tech company business venture

Age 50

Junming starts his retirement beyond his expectation. His liquid income stream is flexible in withdrawal, so he is prepared for any large unexpected financial commitments that may occur

By utilizing an insurance solution, Junming is able to:

1) enjoy a leisurely lifestyle after retirement,

2) set up a venture business for his son, and

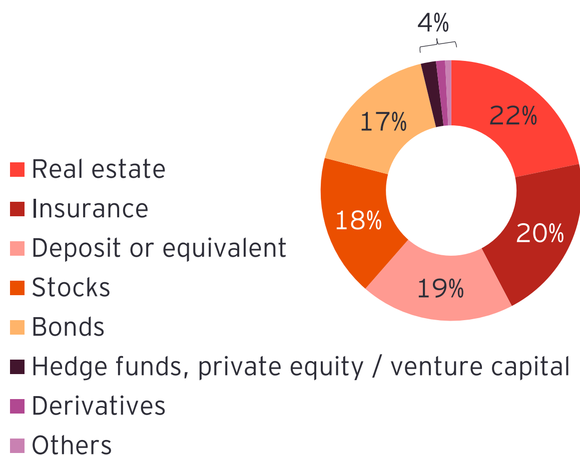
3) do what he wants to without worrying about finances.

Asset preservation

Careful asset management leading into retirement can help improve total wealth security. In contrast, flawed investment decisions can threaten financial security after retirement.

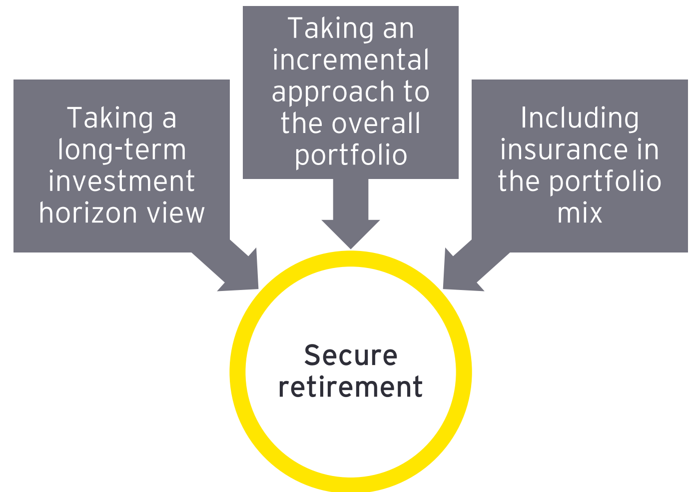
As shown in the chart below, stocks are commonly considered a good retirement planning vehicle by HNWIs. Although stocks may provide attractive returns, they are usually associated with higher performance risks than bonds or deposits.

Assets perceived as good retirement planning vehicles



With fluctuating interest rates and returns on deposits and investments, it is increasingly difficult to secure retirement income with certainty. The impact such fluctuations in interest rate and returns can have on asset preservation may be extensive, particularly for longer-term assets and those that have value closely tied with the rise and fall of the market.

Avoiding investment extremes is essential when forming a retirement investment strategy for HNWIs, having strategies that are too conservative or too aggressive can be costly with long-term consequences when planning for a secure retirement. HNWIs can benefit from taking the following points into consideration during their planning:



Taking a long-term investment horizon view can significantly improve portfolio planning, as market fluctuations can be taken into account for projections. Taking an incremental approach to the overall portfolio is a useful method for HNWIs. Making decisions based on smaller percentages of the total portfolio can help you retain control and take investment action when necessary. Including insurance in your retirement portfolio can support the above factors by providing a solid base for financial security. In addition, including insurance allows you to control the investment portfolio percentage you wish to actively manage while providing constant bond-like returns without the interest rate risk.

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For retirement, it is most important to reduce risk. It is important to focus on stability and avoid risky assets

- HNWI executive of a global consulting firm

Risk diversification

There are several factors that can hinder the financial comfort of HNWIs in retirement during asset decumulation[1]. These risks include:

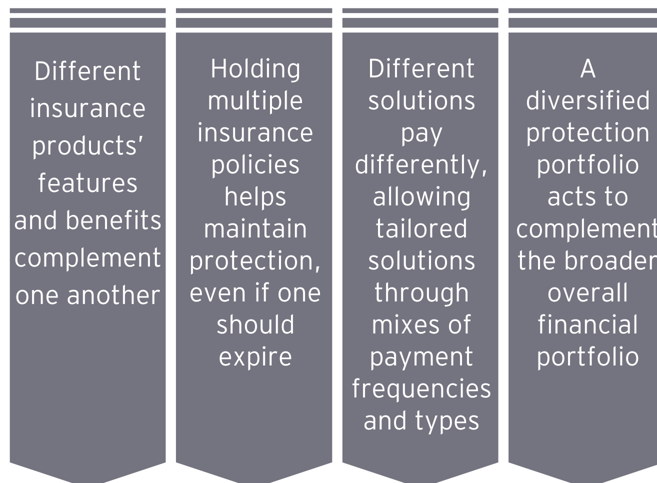
- Outliving assets
- Withdrawing funds too quickly
- Unplanned financial expenditure
- Underestimating retirement income need
- Severe market fluctuation

HNWIs that consider wealth maintenance and decumulation in their planning can help relieve unnecessary stress in retirement. As one's lifespan can only be estimated, together with a volatile economy, the maintenance and controlled decumulation of wealth is imperative. Forming a strategy will greatly improve the quality and sustainability of retirement. According to a study by the United Nations[2], high income countries have an average life expectancy of 81 years. HNWIs, at a minimum, should plan to live until this age.

50%
of HNWI professionals in APAC
are considering asset decumulation risk in their retirement planning

27% of HNWIs responded that severe market fluctuation is the top risk to consider during asset decumulation.

The use of different insurance solutions can enable the construction of a risk-diversified portfolio to mitigate these risks, while providing significant flexibility for evolving needs. HNWIs can allocate across two or more insurance product types with varying durations as required. The benefits include:

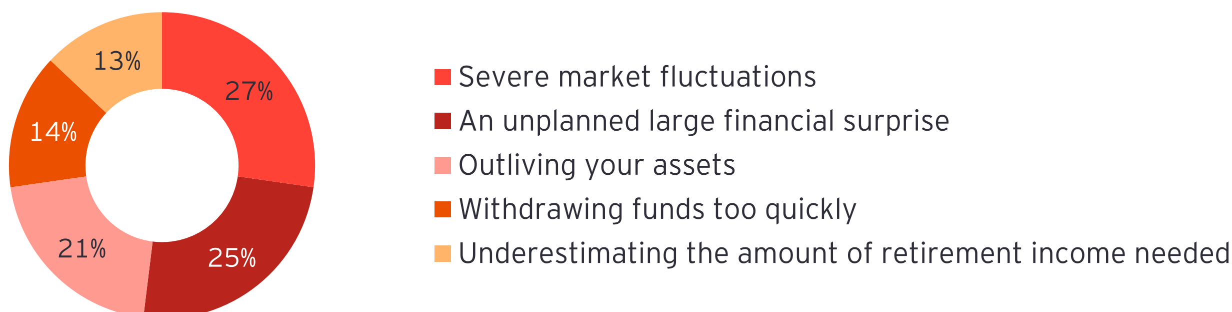


Peaceful and sustainable retirement

For example, holding both an annuity and medical insurance can help mitigate the risk of outliving assets and unplanned healthcare cost. For substantial unplanned healthcare costs, critical illness, annuities and life insurance with saving elements can also complement medical insurance by covering required costs or being used to obtain premium healthcare.

A holistic approach allows for a risk-diversified retirement investment portfolio. The ability to recognize diversification benefits reduces overall risk and improves financial security for HNWI investment portfolios.

Top 5 asset decumulation risks identified by HNWIs



1 The conversion of assets into income to be spent after retirement
2 World mortality 2019: Data Booklet, United Nations

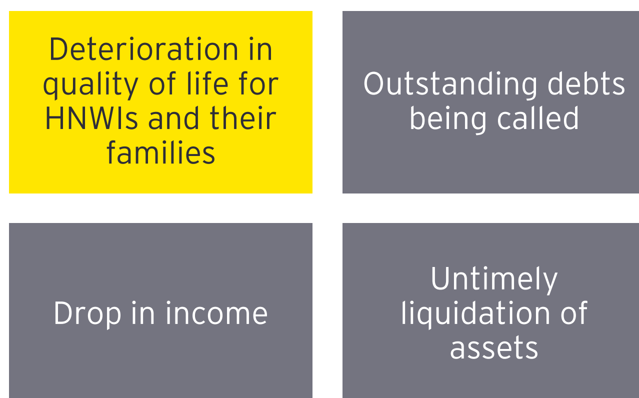
Protection and liquidity

Unexpected events may arise on the journey to retirement which can impact the retirement plan and current lifestyle of HNWIs and their families. Therefore, HNWIs should consider these risks early on, so that they are prepared and protected against these events. Doing so allows HNWIs to have better control and a strategic advantage if they face adversity.

Unforeseen events may be in two forms:

- Untimely demise
- Critical illness

These adversities may lead to a number of consequences if not prepared for, including:



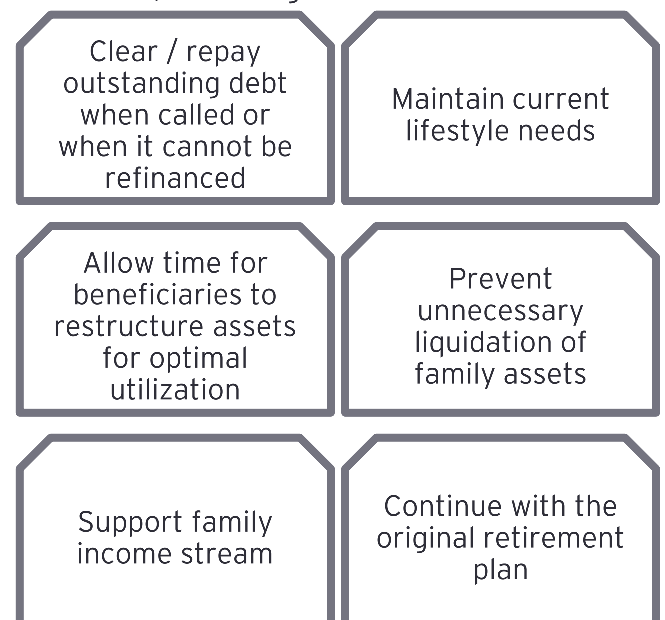
Thus, planning ahead is crucial.

Life and health insurance solutions can remedy or prevent these financial consequences from arising. They can provide required assistance when it is most needed.

Preparation for the well-being of family members

Life policies with pre-determined death benefits guarantee the proceeds to be paid out regardless of the HNWI's total wealth at the time of payment. During economic downturns or shocks to the financial market, this feature can be extremely valuable. HNWIs will have the peace of mind knowing their beneficiaries will be receiving promised benefits to support and maintain their lifestyle. Furthermore, the insurance proceeds typically bypass probate and are paid to the nominated beneficiaries immediately and tax effectively when structured under professional advice. This further strengthens the financial security that beneficiaries will have when HNWIs can no longer care for their financial well-being.

As the proceeds are immediate and liquid, beneficiaries can be benefitted in many situations, including:



By utilizing life insurance, the well-being of family beneficiaries can be facilitated even in the case of unforeseen events through the guaranteed life insurance policy benefits.

Preparation for the well-being of HNWIs

HNWIs may also wish to obtain protection against critical illness as this may have a financial impact due to reduced workloads or even forced absence from work. Critical illness may also pose additional disturbances on HNWIs' lifestyles due to the impact it has on their normal income stream. Critical illness and health insurance can be of help during these times, assisting HNWIs with meeting their short-term cash flow needs.

Insurance solutions can help in multiple ways when HNWIs are unable to carry on with their profession. They can assist in:

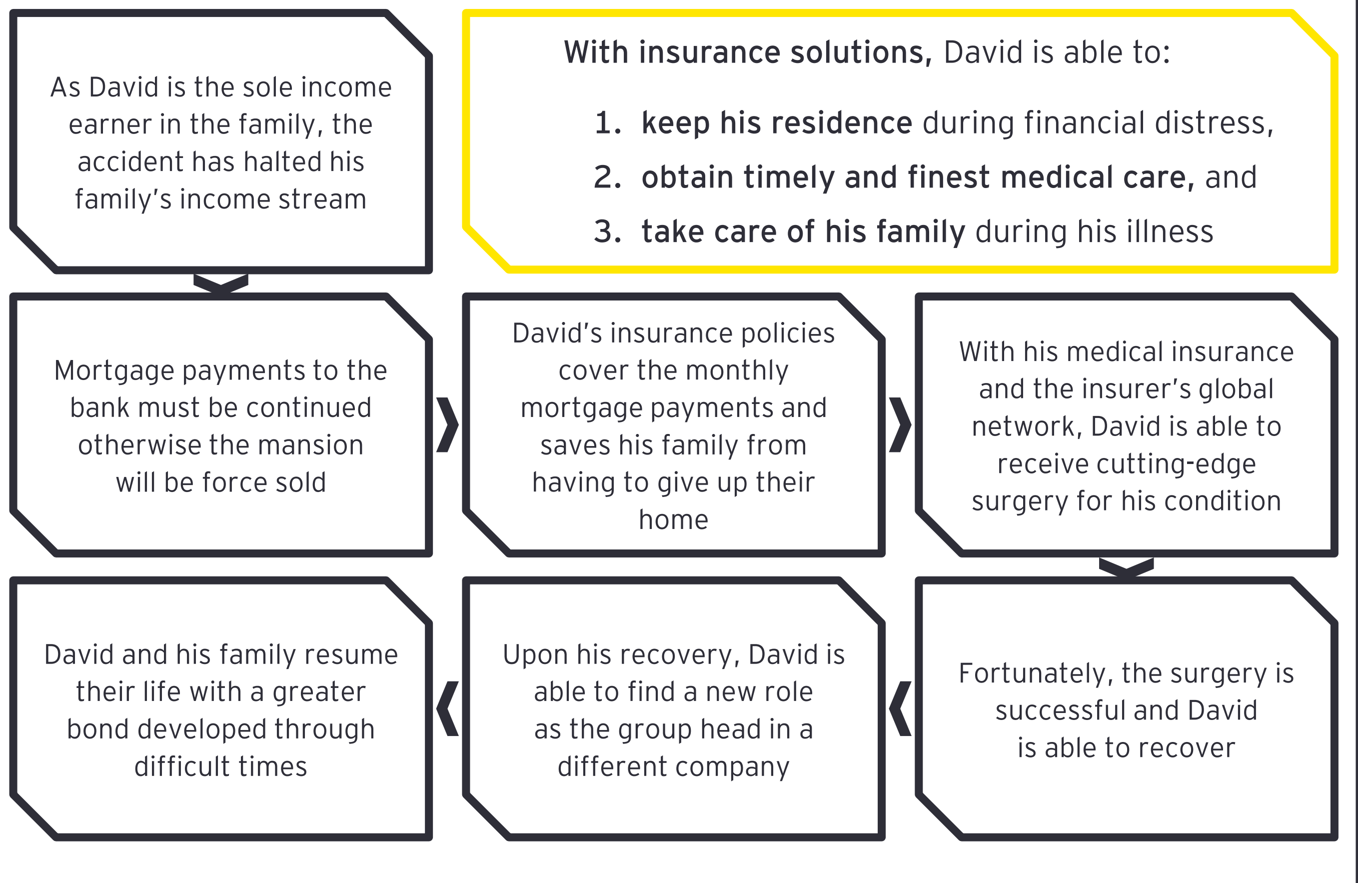
- Making up for lost income
- Providing assistance in acquiring first-class healthcare
- Alleviating immediate pressure from existing debt obligations by assisting in short-term payments
- Generating an income to cover current liabilities for buying sufficient time in deciding timing and choice of assets to liquidate for future considerations

With critical illness and health insurance taking care of short-term liquidity and healthcare needs, HNWIs can continue their current lifestyle and may pursue their journey to retirement in parallel with recovery. In addition, support from advisors and insurance companies may assist HNWIs and their family during the recovery period.

The impact of these unforeseen events on the journey to retirement can be reduced if sufficient planning and protection is set ahead of time. Life, health and critical illness insurance can be utilized for planning and protection. As a result, HNWIs and their family members are able to continue their lifestyle into retirement free of worries.

Protection and liquidity case study

David was recently appointed as the APAC CEO of a global conglomerate. He has a family of four, including his wife and two children. After his new appointment, David moved into a new mansion to improve his family lifestyle. He has always sought to be prepared and contributes regularly to life and health insurance. David had a serious car accident on his way to work and was rushed to the hospital where he subsequently went into a coma.



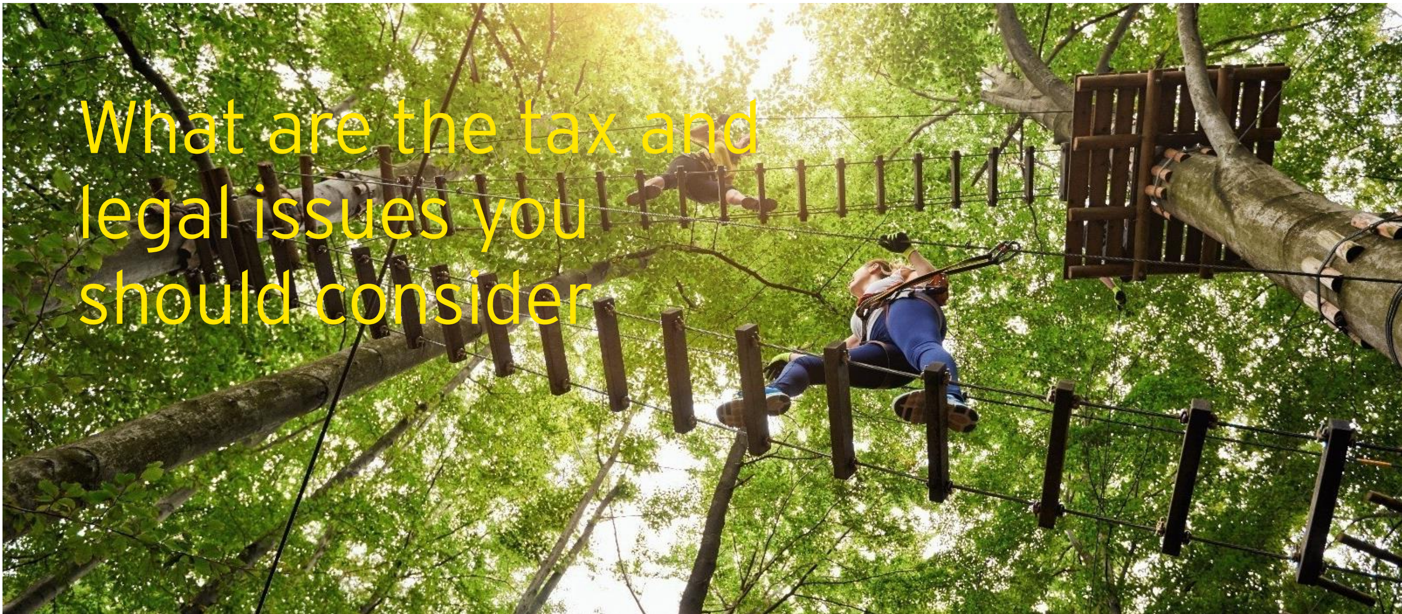
An increasing number of successful professionals are joining the HNWI segment and are placing retirement planning as a key focus in their overall wealth planning. An insurance advisor may address such demand by guiding the HNWIs through their journey to retirement with discussion on insurance solutions for asset preservation and risk diversification, income and lifestyle leisure planning.

For HNWIs to fully utilize insurance solutions, they should also discuss the wealth protection, liquidity and healthcare benefits with their trusted advisors. Doing so will allow HNWIs and family members to protect their current living standards, plan ahead and facilitate their retirement plan does not deviate even in the case of unexpected events.

Insurance can play a key role in the protection and growth of wealth. In an increasingly volatile macroeconomic environment and with increasing life expectancy, insurance can provide the protection and stability that HNWIs require.

Early and proactive planning through insurance will not only prepare successful professionals for retirement, but also helps that **hard-earned wealth is protected and continues to grow** while they enjoy their life of leisure.

In order to simplify the process of forming a secure retirement investment strategy and provide appropriate coverage, HNWIs can appoint trusted advisors, such as professional investment managers and insurance advisors, for guidance and assistance



Tax and legal considerations for succession and legacy planning

The continuously evolving regulatory environment in Asia presents both challenges and opportunities for HNWIs to pass on their wealth.

Planning ahead allows HNWIs to anticipate jurisdictional and compliance related issues in personal and business wealth management. This is especially true when transferring assets that are spread globally and when inheritors are living abroad.

In using life insurance as a solution for succession and legacy planning, it is advisable to identify the applicable taxes and filing obligations, taxability and deductibility of insurance proceeds and premiums for peace of mind and to transfer your wealth in the most efficient way possible.

As tax regulations change constantly, HNWIs may benefit from being actively connected with a trusted tax advisor. In certain jurisdictions, you may also note tax planning opportunities regarding the proportion of life insurance to be included in your overall investment portfolio.

It is important to be aware of all applicable taxes. Different types of taxes apply in different jurisdictions.

Briefly, taxes can be categorized into:

- Personal income tax for individuals
- Corporate income tax for business
- Other types of taxes, including but not limited to gift taxes, inheritance taxes, estate taxes and more.

19%

of HNWIs
pay tax on their investment income
as both an individual and as part of their corporate tax return

This section will cover the taxability of insurance solution proceeds in terms of both personal income tax and corporate income tax. In addition, an overview of taxation for key jurisdictions can be found in the appendix of this thought leadership report.

Taxation of insurance proceeds for individuals and corporate entities

Life insurance policies are commonly purchased by HNWIs as a tool to manage mortality risk and provide protection for their financial legacy. In considering the taxation requirements, it is important to understand how the life insurance policy works, the flow of the proceeds and identify to whom it benefits.

Proceeds from life insurance products in Asia are often not taxable for the individual recipient. However, this should be carefully evaluated with a tax advisor as there may be differences in local tax laws which require insurance proceeds to be subject to tax, e.g. China Mainland, the Philippines, Indonesia and Taiwan.

If a business receives the proceeds, the taxability largely depends on whether the nature of these insurance proceeds are seen as capital or revenue in nature. Often, this would principally depend on the circumstances and purpose that the insurance is purchased for.

Tax deductions

Insurance premiums may be deductible in some jurisdictions for individuals and / or corporate entities.

For individuals, certain tax jurisdictions such as Malaysia and Singapore, allow individuals to claim tax deductions on the life insurance premiums paid in the individuals' income tax return. The amount of deduction allowed annually may be subject to a cap and / or subject to qualifying conditions to be met.

Typically, for a business to claim tax deduction on a life insurance premium, the business has to be contractually liable to pay for the insurance premium. In addition, most tax jurisdictions require the business to determine if the expense is revenue in nature before allowing the tax deduction.

Tax planning case study

Rachel is a passionate business owner in Singapore who has two children she intends to pass on her wealth to. She has discussed with her wealth planner on her overall wealth planning goals and has mentioned that her children have no intention of managing the business.

During the process of reviewing her portfolio, her wealth planner notices the keyman insurance that Rachel had put in place 5 years ago

Her wealth planner connects her with a tax advisor who reviews the wealth management plan

The tax advisor alerts Rachel that the proceeds would be taxable for the business in view that the company is paying the premium on the policy to insure against the demise / disability of the "keyman"

With this knowledge, Rachel adjusts the amount of coverage she is comfortable with, after deducting the estimated tax costs that would arise

By incorporating **insurance solutions and tax planning** into her wealth management, Rachel is able to:

1) **protect her business** with keyman insurance, and
2) **plan ahead with accuracy** for future tax costs

Consideration of tax costs in wealth management and succession planning is crucial. Insurance solutions have become a popular tool in succession and legacy planning due to their tax deductive features. This means that depending on the jurisdiction's definition, insurance solutions may not always be subject to taxes upon transfer of an asset or passing on of an individual.

In other jurisdictions, there may be inheritance, estate, gift and other similar taxes that apply. Such taxes should be considered when HNWIs plan for wealth succession and legacy.

Apart from the above, it is also important to assess other tax implications that may arise to facilitate that transfers are made in accordance to the will or law, and for estates to continue to generate income. Only with a thorough, holistic approach that takes consideration of tax planning can HNWIs **enjoy the full benefits generated by insurance solutions**.

Consult a tax advisor for greater certainty on the taxes payable, and to identify possible avenues for tax savings in your succession and legacy plans

Conclusion

The last decade has seen vast growth in total wealth and the corresponding number of HNWIs in the APAC. For the modern HNWI, life and health insurance solutions can play a key role in wealth protection and legacy planning. They provide numerous unique benefits, including:

- **Protection of family wealth and legacy planning**
  Protect HNWIs' families from issues arising from illiquid estates or outstanding debt. Enable HNWIs to plan ahead for beneficiaries' lifestyle maintenance
- **Portfolio diversification, leverage and growth**
  Diversify investment portfolio risk through tax-deferred growth, stable returns and leveraging
- **Liquidity planning**
  Solve immediate liquidity needs through cash value withdrawal or policy loans
- **Tax benefits**
  Savings in tax for estate and legacy planning can be achieved

In addition, entrepreneurs can benefit from insurance by enabling early business succession planning and protect against key person loss and outstanding loans. Similarly, corporate professionals can enjoy successful retirement planning and assistance in case of unforeseen events.

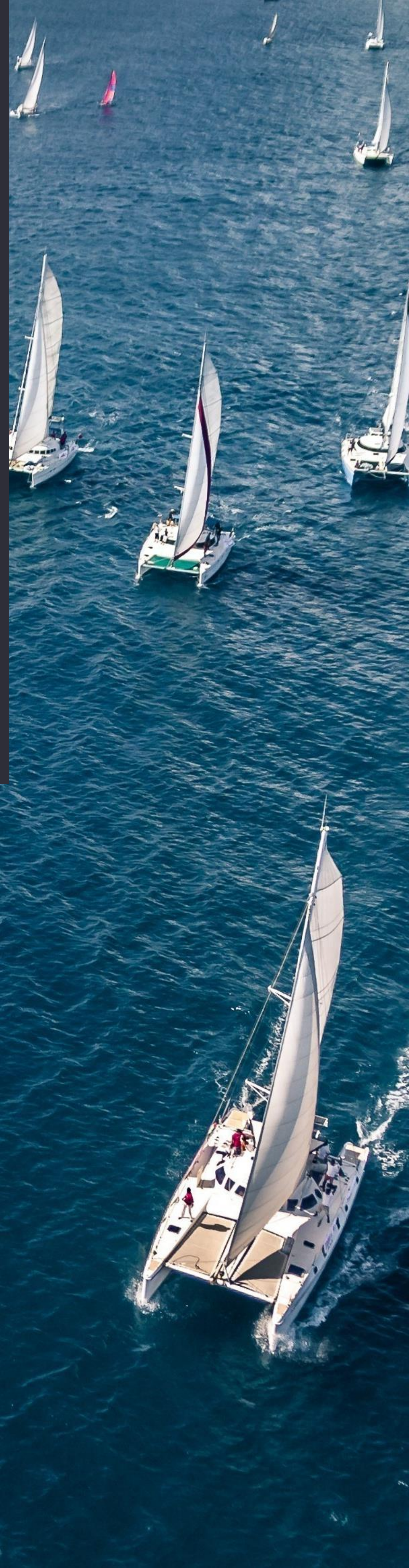
In order to increase the benefits of insurance solutions, HNWIs can regularly reevaluate their personal and business needs and speak with their trusted advisors for tailored holistic solutions.

Appendix

Tax considerations by jurisdiction

The following section includes some of the key jurisdiction tax considerations that may need to be made when utilizing insurance solutions for your wealth protection and legacy planning.

This material has been prepared for general informational purposes and is not intended to be relied upon as accounting, tax or other professional advice. Please contact your advisors for specific advice.



Tax considerations by jurisdictions

Jurisdiction	Inheritance Tax	Estate Tax	Gift Tax	Other taxes	Indiv. tax rate (max)	Corp. tax rate (max)
Australia	N/A	N/A	N/A	Exemption from stamp duty (or only nominal duty) regarding vesting of dutiable property in the executor of a deceased person and the transfer of assets to the beneficiary of a deceased In some circumstances, an immediate income tax liability can arise upon death. These are discussed in the detailed comments below	45% (excluding levies)	30%

* *Please note that the above is based on information as of May 2020. It also does not take into account the applicability of estate/ gift tax treaties and avoidance of double taxation agreements (where applicable) depending on your situation.*

Tax considerations by jurisdictions (cont'd)

Jurisdiction	Inheritance Tax	Estate Tax	Gift Tax	Other taxes	Indiv. tax rate (max)	Corp. tax rate (max)
Canada	N/A	Provincial probate fees which may otherwise be applicable to not apply to insurance proceeds where there is a name beneficiary	N/A	Please refer to applicable jurisdiction section	Up to 46% depending on province	Up to 58.75% depending on province
Mainland China	N/A	N/A	N/A	Transfers of real estate or land-use rights in Mainland China by an individual may be subject to taxes such as individual income tax, value-added tax, deed tax, stamp duty and land appreciation tax Inheritance of real estate by statutory successors (i.e., spouses, children, parents, siblings and grandparents) could be exempt from individual income tax if certain criteria could be met	45%	25%
Hong Kong	N/A	N/A	N/A	Transfer of real properties and shares are generally subject to stamp duty	17%	16.5%
Taiwan	Taxed at the progressive tax rates of 10%, 15% and 20% based on the net amount of estate value (differs based on decedent's nationality and domiciliation) after exclusions, deductions and exemptions		Taxed at the progressive tax rates of 10%, 15% and 20% on certain gifts	Stamp duty is chargeable on certain documents (e.g. sale of movables or real estate) drawn up within Taiwan, and not on transactions	40%	20%

** Please note that the above is based on information as of May 2020. It also does not take into account the applicability of estate/ gift tax treaties and avoidance of double taxation agreements (where applicable) depending on your situation.*

Tax considerations by jurisdictions (cont'd)

Jurisdiction	Inheritance Tax	Estate Tax	Gift Tax	Other taxes	Indiv. tax rate (max)	Corp. tax rate (max)
Indonesia	N/A	N/A	N/A	Transfers of real estate (i.e., land and building) are subject to real estate transfer tax and acquisition duty	30%	22%
Malaysia	N/A	N/A	N/A	Transfers of property from the estate of a deceased person to a beneficiary / legatee are subject to nominal stamp duty Disposal of real property and shares by the estate to a third party is subject to stamp duty tax and Real Property Gains Tax (RPGT) (Note: In relation to RPGT, only disposal of shares in real property company will be subject to RPGT)	30% (from YA 2020 onwards)	24%
New Zealand	N/A	N/A	N/A	New Zealand currently has no form of gift duty, estate duty, inheritance tax or capital transfer tax New Zealand domestic law provides for a "bright-line test" requiring income tax to be paid on any gains from residential real property purchased on or after October 1, 2015 and sold within two/five years of acquisition (depending on the date of purchase). There are certain exceptions to this rule	33%	28%

** Please note that the above is based on information as of May 2020. It also does not take into account the applicability of estate/ gift tax treaties and avoidance of double taxation agreements (where applicable) depending on your situation.*

Tax considerations by jurisdictions (cont'd)

Jurisdiction	Inheritance Tax	Estate Tax	Gift Tax	Other taxes	Indiv. tax rate (max)	Corp. tax rate (max)
Philippines	N/A	6% based on the value of net estate. Non-resident aliens are subject to estate tax on properties situated in the Philippines	6% based on total gifts in excess of PHP250,000 made during the calendar year	Transfer of real properties and non-listed shares are subject to capital gains tax Transfer of listed stocks is subject to 6/10 of 1%. Transfer of stocks and real properties are also subject to documentary stamp tax	35%	30%
Singapore	N/A	N/A	N/A	Transfers of immovable property and shares are subject to stamp duty and real estate transfer tax	22%	17%
South Korea	The inheritance tax covers all property in Korea inherited or bequeathed by a non-resident. At least 10% to up to 50% based on the value of inherited property	N/A (No estate tax is imposed on the transfer of assets in Korea)	Non-resident done is obligated to pay gift tax on assets in foreign financial account including shares of foreign corporations whose property in Korea exceed 50%. Rates are at least 10% to up to 50%	Transfers of immovable property and shares are subject to a capital gain tax. Rates are at least 6% to up to 70%(6.6% to 77% including local income tax) Transfers of stocks are subject to a securities transaction tax. General tax rate is 0.45%	42% (46.2% including local income tax)	25% (27.5% including local income tax)

** Please note that the above is based on information as of May 2020. It also does not take into account the applicability of estate/ gift tax treaties and avoidance of double taxation agreements (where applicable) depending on your situation.*

Tax considerations by jurisdictions (cont'd)

Jurisdiction	Inheritance Tax	Estate Tax	Gift Tax	Other taxes	Indiv. tax rate (max)	Corp tax rate (max)
Thailand	10% on value of inheritance in excess of THB100m. Reduced to 5% if recipient is a descendant or parent of the inheritance owner	The owner of real-estate (i.e. land and building is subject to the Land and Building Tax on the official appraised value of land and building and the purpose of usage of land and building. The progressive tax rate is ranges from 0.02%-0.10% for residential estate, or 0.3%-0.7 % for commercial estate.	Yes: 5% on the portion exceeding THB10 / 20m (depending on the recipient of gift)	Transfers of immoveable property are subject to specific business tax and transfer fee Transfers of moveable for non-business purpose is not subject to income tax nor VAT. Transfer shares is subject to income tax on gains and stamp duty	35%	20%
United Kingdom	Yes, inheritance tax (a unified estate and gift tax) Inheritance tax is levied on the worldwide estate of a donor or decedent who is domiciled or deemed domiciled in the UK and on the UK-sited assets of a person who is not domiciled (and not deemed domiciled) in the UK 3 types of transfers apply for inheritance tax purposes: ▸ Exempt transfers – Special exemptions such as gifts to charities or spouses ▸ Potentially exempt transfers – lifetime transfers which only become chargeable if the transferor dies within seven years of making the gift ▸ Chargeable transfers – immediately chargeable in excess of the available nil-band rate (currently £325,000 for the tax year 2018-19 and fixed until 2020–21) which can only be used once every seven years. E.g. transfers on death (if not to an exempt beneficiary), lifetime transfers to most trusts or a company			Transfers of land and buildings (residential, non-residential, mixed use) are subject to taxes such as: ▸ Stamp Duty Land Tax (for England and Northern Ireland) ▸ Land and Buildings Transaction Tax (for Scotland) ▸ Land Transaction Tax (for Wales)	▸ 45% (excluding Scotland) ▸ 46% (Scotland)	19%

** Please note that the above is based on information as of May 2020. It also does not take into account the applicability of estate/ gift tax treaties and avoidance of double taxation agreements (where applicable) depending on your situation.*

Tax considerations by jurisdictions (cont'd)

Jurisdiction	Inheritance Tax	Estate Tax	Gift Tax	Other taxes	Indiv. tax rate (max)	Corp tax rate (max)
United Kingdom (cont'd)	▸ Additional nil-rate band introduced in tax year 2017-18 when a main residence is passed on death to a direct descendant, with conditions ▸ Rates: 0% - 40%			Transfers of stock or marketable securities (i.e. shares and certain debt instruments) and certain partnership interests are subject to UK stamp duty UK residents are subject to Capital Gains Tax on the disposal of chargeable assets (e.g. shares). Non residents of the UK are only liable to a Capital Gains tax charge on disposals of UK real estate A charge to income tax, rather than Capital Gains Tax may arise on gains on surrender, maturity death or assignment of certain cash-value life policies. Certain life policies (known as "qualifying policies" may be exempt from this charge providing certain conditions are met, though these would not usually be issued by a non-UK insurer	▸ 45% (excluding Scotland) ▸ 46% (Scotland)	19%

** Please note that the above is based on information as of May 2020. It also does not take into account the applicability of estate/ gift tax treaties and avoidance of double taxation agreements (where applicable) depending on your situation.*

Tax considerations by jurisdictions (cont'd)

Jurisdiction	Inheritance Tax	Estate Tax	Gift Tax	Other taxes	Indiv. tax rate (max)	Corp. tax rate (max)
United States	▸ None at the federal level ▸ A minority of states independently maintain inheritance tax regimes at rates ranging up to 16%	▸ Yes, imposed on the transfer of taxable estate at death ▸ There may be a separate exemption for a surviving spouse depending on whether or not they are a US Citizen	▸ Yes, applies to the fair market value of the transferred assets as at the date of the gift subject to the annual exclusion limitation and rules regarding an individual's lifetime exemption. (Different rules apply for US and non-US persons.)	▸ Real estate transfer tax may apply on transfers of real property ▸ Net wealth tax may be applied by individual localities on certain real and personal property interests ▸ Expatriation (exit) tax apply on the net unrealized gain for covered expatriates on their property exceeding US$600,000 (indexed for inflation) ▸ Generation-skipping transfer tax imposed (after lifetime exemption utilized) on all direct transfers to "skip persons" (someone who is 2 or more generations below the transferor, or a trust for which all beneficiaries are skip persons) and on taxable distributions and taxable terminations by trusts that have skip persons as beneficiaries.	37% (Gift tax and GST Tax rate is 40%)	21% (max federal corporate rate)

** Please note that the above is based on information as of May 2020. It also does not take into account the applicability of estate/ gift tax treaties and avoidance of double taxation agreements (where applicable) depending on your situation.*

What are some other tax filing obligations that might arise?

Apart from the personal income tax and corporate tax filings, an important development in the tax transparency landscape is the Common Reporting Standard ("CRS").

The CRS framework requires identification and reporting of financial account information pertaining to account holders who are foreign tax residents, for jurisdictions which have entered into agreements with the jurisdiction of the financial institution. Every year, Financial Institutions (defined for CRS purposes) will be required to provide the identifying information of the account holder together with the financial account information. The financial account information required will depend on the nature of account.

The CRS framework provides for the exchange of financial account information of foreign tax residents with the tax authorities in such account holders' jurisdiction of tax residence.

More than 100 jurisdictions have committed to implement CRS in their respective jurisdictions and exchange information with other participating countries. This number is expected to grow over time.

CRS can be particularly complex for Financial Institutions as different jurisdictions may have their own interpretation of the law. There are penalties under local law for not complying with the CRS obligations for Financial Institutions.

CRS is typically managed at the level of the local tax authorities. With the ever changing status of agreements between jurisdictions around automatic exchange of information under the CRS framework, a regular monitoring of a list of reportable jurisdictions is required to determine the reportable status of your investments.

Jurisdiction	Is a CRS regime in force?
Australia	Yes, as of 1 July 2017
Canada	Yes, as of 1 July 2017
Mainland China	Yes, as of 1 July 2017
Hong Kong	Yes, as of 1 January 2017
Taiwan	Yes, as of 1 January 2019
Indonesia	Yes, as of 1 July 2017
Malaysia	Yes, as of 1 July 2017
New Zealand	Yes, as of 1 July 2017
Philippines	Currently, CRS legislation has not been adopted
Singapore	Yes, as of 1 January 2017
South Korea	Yes, as of 1 January 2016
Thailand	Currently, CRS legislation has not been adopted
United Kingdom	Yes, as of 1 January 2016
United States	Not a CRS participating jurisdiction

How does CRS impact you?

Typical questions you may consider asking your tax advisor include determination of your tax residency (notably whether you are a single country tax resident or multiple), whether the product purchased is reportable, CRS classification status if you are an entity and if you are a Financial Institution for CRS purposes, what are the CRS compliance obligations for this entity.

Overview of taxation for individuals

Individuals who are tax residents of Australia are taxed on their worldwide income. Non-residents are taxed on income to the extent the income has an Australian source. Resident taxpayers may be entitled to exemptions or tax credits for foreign taxes already paid.

Tax residency is determined on a year-by-year basis using one of four tests. Broadly, the tests consider where an individual resides, where their domicile is, whether they were in Australia for more than 183 days during the year or whether they are a member of a Commonwealth Government superannuation scheme. Where an individual cannot satisfy one of the four tests, they are considered a non-resident.

Taxpayers may be entitled to a tax deduction for expenditure incurred in gaining their income provided the expenditure is not of a capital nature.

Generally, Australian tax residents are not subject to Income tax if their assessable income is less than $18,201. Individuals are then subject to progressive rates up to 45% plus levies such as Medicare.

Non-residents are not entitled to a tax free threshold and are subject to progressive rates up to 45%.

Capital Gains Tax

Capital Gains Tax (CGT) is imposed on the sale of a capital asset such as real estate or shares and applies to assets acquired on or after 20 September 1985. Capital gains/losses are required to be reported in an individual's income tax return with tax paid on net capital gains. If you make a capital loss, this can be used as a deduction against capital gains in the current income tax year, or carried forward to be used in future income year(s) in which capital gains may arise. In some circumstances, an immediate income tax liability can arise upon death under the capital gains tax rules, such as:

- Asset transfers on death to a charity, superannuation fund or foreign resident
- Immediate CGT liability can arise when a discretionary trust deed provides that the trust is to vest on a specific date or on the death of the specified individual (often the parents)

Transfer Duty

Australian states and territories impose stamp duty on, amongst other things:

- transfers of dutiable property;
- creation of trusts;
- acquisitions of interests in companies and trusts with underlying land holdings; and
- transfers of motor vehicle registration, unless an exemption is available

Dutiable property includes land, fixtures, plant and equipment and, in some jurisdictions business assets (e.g. goodwill, intellectual property, receivables and supply contracts). Generally, where dutiable property is transferred under and in accordance with the will of a deceased person, an exemption may be available (there are strict requirements).

Other types of tax

Australia does not impose inheritance tax, gift tax, deed tax or similar such taxes.

Other circumstances where an immediate income tax liability can arise upon death may include:

- When benefits in an Australian complying superannuation fund are paid to non-dependents on death, tax of 17% is payable on the taxable component
- Earnings in a foreign superannuation or retirement fund that have accumulated since the member became an Australian resident may be taxable on payment to nominated beneficiaries

Life insurance

The following comments are directed towards life insurance policies insuring in respect of death of an individual rather than disability or income protection which may have different tax implications.

Generally, money a person receives as an insurance payout under a life insurance policy on death should not be subject to income tax or CGT. This would also apply where the insured person transfers the rights under the life insurance policy to another entity (i.e. a spouse) and that person receives a payout under the life insurance policy.

Generally no tax deduction is available for premiums paid in respect of a life insurance policy (this may be affected by the purpose of the policy). For this and other reasons (including cash flow) a common way to hold life policies is through a superannuation fund which may be entitled to a tax deduction for the premiums paid to the insurer.

Certain life policies that are terminated before death may entitle the holder to a cash value. In these cases, the cash value may be taxed depending on the period for which the policy has been held. For example policies held for over 10 years are not generally taxed when terminated.

Where a life insurance policy is held by a superannuation fund, premiums are generally tax deductible to the superannuation fund (which has a tax rate of 15%). On the death of the superannuation fund member, the life insurance is paid out as part of the member's superannuation death benefit. Where the beneficiary is a dependent for tax purposes such as the surviving spouse, the life insurance proceeds will be received tax free as part of the death benefit. However, where the beneficiary is a non-dependent adult child for example and the superannuation fund has claimed a tax deduction for the premiums, the life insurance component of the death benefit is subject to a tax rate of 30% (excluding the Medicare Levy).

Exchange controls

To assist with the control of tax evasion and money laundering, international currency transactions of AUD10,000 or more must be reported to the Australian Transaction Reports and Analysis Center.

CRS regime

CRS legislation has been in force since 1 July 2017.

Overview of taxation for individuals

The major determinant of Canadian income tax liability is an individual's residence status. An individual resident in Canada is taxable on worldwide income. Nonresidents are taxed on Canadian-source income only.

The tax statutes do not contain a specific definition of "residence." Accordingly, the residence of an individual is determined by such matters as the location of dwelling places, spouse, dependents, personal property, economic interests and social ties.

However, a nonresident individual who stays temporarily in Canada for 183 days or longer in a calendar year is deemed to be a resident of Canada for the entire year, unless he or she is determined to have nonresident status under a tax treaty. This provision applies only to an individual who would otherwise be considered a nonresident, and not to an individual who purposely takes up residence in Canada or to an existing resident who ceases to be a resident after moving away from Canada.

These latter individuals may be treated as part-year residents. In certain situations, an individual may move from Canada to another country and retain enough ties to continue to be considered a Canadian resident for domestic tax purposes. At the same time, this individual may be considered a nonresident of Canada for tax treaty purposes. Individuals who become treaty nonresidents of Canada after 24 February 1998 are deemed to be nonresident in Canada for domestic tax purposes as well.

In the year that an individual becomes a Canadian resident, that individual is considered a part-year resident, and is subject to tax in Canada on worldwide income for the portion of the year he or she is resident in Canada. A part-year resident is also subject to Canadian tax on any Canadian-source income received during the nonresident period.

The individual tax rate can be up to 46% depending on province.

Overview of taxation for companies

Corporations resident in Canada (whether owned by Canadians or nonresidents) are taxed on their worldwide income from all sources, including income from business or property and net taxable capital gains. Nonresident corporations are taxed only on certain Canadian-source income. In general, a corporation is deemed to be resident in Canada if it is incorporated in Canada or has

its central mind and management located there.

Corporations are taxed by the federal government and by one or more provinces or territories. The basic rate of federal corporate tax for 2019 is 38%, but it is reduced to 15% by an abatement of 10 percentage points on a corporation's taxable income earned in a province or territory and a general rate reduction of 13 percentage points on a corporation's full-rate taxable income. Provincial and territorial tax rates are added to the federal tax and generally vary between 10% and 16% of taxable income.

The federal government and the provincial and territorial governments may apply lower rates of tax to active small business earnings and earnings derived from manufacturing and processing.

Nonresident corporations carrying on business in Canada through a branch are taxable at the full corporate tax rate on their net business income earned in Canada, and they must pay an additional tax (branch tax) of 25% on after-tax income, subject to an allowance for investment in Canadian property. This branch tax may be reduced by treaty.

Other types of tax

(a) Estate and gift tax

Canadian succession law does not include an estate or gift tax. However, provincial probate fees may apply at rates that vary depending on the province.

(b) Capital gains and losses

The taxable portion of capital gains and the deductible portion of capital losses is 50%.

Life insurance

Premiums paid for life insurance policies are generally not deductible expenditures for income tax purposes. Limited exceptions apply where the life insurance policy is required to be pledged as collateral for a loan undertaken to earn income from business or property.

Death benefits received are generally tax-free. Where a Canadian -controlled Private Corporation (CCPC) receives the death benefit it may be distributed to shareholders tax-free to the extent the death benefit exceeds the adjusted cost basis of the policy as defined under Canadian tax rules.

There would be no immediate income inclusion during the time the life insurance policy is in force provided the policy meets specified criteria with respect to the rate of accumulation of value based on a prescribed tax reserve calculation. This reserve calculation would apply equally to policies issued inside or outside of Canada. Policies which exceed the rate of accumulation of value permitted are subject to annual accrual taxation.

Surrender of a life insurance policy before death may result in an income inclusion in Canada to the extent the cash surrender value is in excess of the adjusted cost basis of the policy.

Exchange controls

Canada does not impose foreign exchange control restrictions.

CRS regime

CRS legislation has been in force since 1 July 2017.

Considerations in home jurisdictions

Mainland China

Overview of taxation for individuals

The New Individual Income Tax ("IIT") Law, effective from 1 January 2019, states that "An individual, who has a domicile within the territory of China or who has no domicile but has stayed within the territory of China for 183 days or more, shall pay IIT for his / her income obtained in and / or outside the territory of China according to the provisions of this Law."

An individual who has a domicile in China refers to an individual who has household registration, family ties or economic interests in Mainland China.

Individuals with no domicile in China could be exempt from China IIT on non-China sourced income paid by foreign companies or individuals, after tax registration with competent tax authorities, if they are Mainland China tax residents for no more than six consecutive years.

When an individual resides outside of mainland China for more than 30 consecutive days in any tax year during which he or she resides in mainland China for 183 days or more, the consecutive years in which the individual resides in mainland China for 183 days or more will be re-counted.

Inheritance of real estate by statutory successors (i.e., spouses, children, parents, siblings and grandparents) could be exempt from individual income tax if certain criteria could be met.

Overview of taxation for companies

The Corporate Income Tax ("CIT") law, revised in 2018, stated that "Enterprises within China and other organizations that obtain income within China, shall pay CIT for in accordance with the provisions of this Law."

Corporate residents of mainland China are taxed on their worldwide income, including income from business operations, investment and other sources.

A foreign tax credit is allowed for income taxes paid in other jurisdictions. This credit is capped at the CIT payable on the same income calculated under the Law.

In general, a company is regarded as tax resident in mainland China if it is incorporated in or effectively managed in mainland China. "Effective management" is defined as overall management and control over
the production, business, personnel, accounting, and assets of a company.

Nonresident companies are taxed on mainland China-source income only. However, if the nonresident company has an establishment in mainland China, non-China source income effectively connected with the China establishment is also taxed.

The statutory tax rate of CIT is 25%.

Other types of tax

(a) Inheritance tax

At the time of publication, no statute has been passed to provide guidance on inheritance tax.

(b) Gift tax

No gift tax is levied in mainland China.

(c) Deed tax

Inheritance by statutory successors (i.e., spouses, children, parents, siblings and grandparents) is exempt from deed tax. However, mainland China levies deed tax on non-statutory successors who acquire real estate or land-use rights by virtue of inheritance or gift.

Deed tax rates range from 3% to 5% depending on the location. Effective 22 February 2016, the tax rate applicable to residential properties was reduced to 1%, 1.5% or 2%, depending on the size and utility of the housing.

(d) Other tax

Mainland China does not impose endowment tax, transfer duty or net wealth tax. Transfers of real estate or land-use rights in mainland China by an individual may be subject to taxes such as individual income tax, value-added tax, deed tax, stamp duty and land appreciation tax.

Life insurance

Life insurance proceeds are exempted from China IIT.

Exchange controls

In general, the Chinese government permits the free convertibility of current account items of mainland China incorporated enterprises. Current account items are defined as transactions occurring daily that involve international receipts and payments.

Current account foreign-exchange receipts and payments include trading receipts and payments, service receipts and payments, unilateral transfers and dividends paid from after-tax profits. Recently, mainland China has relaxed its foreign-exchange controls in phases by permitting settlement in Renminbi Yuan (CNY) for cross-border trading transactions, including cross-border trades in commodities, services and other current account items, on a nationwide basis and then extending the CNY settlement to both inbound and outbound investments.

Remittances of dividends to foreign investors and other items including income derived from share transfers, capital reductions, liquidation and early withdrawals of investments may be settled in CNY.

CRS regime

CRS legislation has been in force since 1 July 2017.

Overview of taxation for individuals

Individuals earning income that arises in or is derived from a Hong Kong office or Hong Kong employment, or from services rendered in Hong Kong during visits of more than 60 days in any tax year, are subject to salaries tax.

Hong Kong observes a territorial basis of taxation. Therefore, the concept of tax residency has no significance in determining tax liability, except in limited circumstances. Three separate income taxes are levied in Hong Kong instead of a single unified income tax.

The following rates are the applicable rates for the three taxes for the period from 1 April 2019 through 31 March 2020:

- **Profits tax:** levied on non-corporate professional, trade or business income at a flat rate of 15% (or at a rate of 7.5% for the first HK$2m of assessable profits, subject to certain conditions).
- **Property tax:** levied at a flat rate of 15% on 80% of the rent receivable on non-corporate owners of real estate in Hong Kong
- **Salaries tax:** levied on net chargeable income (assessable income less personal deductions and allowances) at progressive rates ranging from 2% to 17%, or at a flat rate (maximum rate) of 15% on assessable income less personal deductions, whichever calculation produces the lower tax liability

Overview of taxation for companies

Profits Tax

Companies carrying on a trade, profession or business in Hong Kong are subject to profits tax on profits arising in or derived from Hong Kong. However, certain royalties received from a Hong Kong payer by a foreign entity that does not otherwise carry on a trade, profession or business in Hong Kong are liable to a withholding tax in Hong Kong.

The taxation in Hong Kong is on a territorial basis. The determination of the source of profits or income can be rather complicated and may involve uncertainty. It requires case-by-case consideration. To obtain certainty concerning this and other tax issues, taxpayers may apply to the Inland Revenue Department for advance rulings on the tax implications of a transaction, subject to payment of certain fees and compliance with other procedures.

The corporate rate of profits tax is 16.5% (or at a rate of 8.25% for the first HK$2 million of assessable profits, subject to certain conditions).

Other types of tax

(a) Stamp duty

A stamp duty of 0.2% is imposed on share transfers. Stamp duty on land transfers are as follows:

HK$	Scale 1 duty rates[1,2]	Scale 2 duty rates[1,3]	Flat rate[4]
Up to 2m	1.5%	HK$100	15%
2m-3m	3.0%	1.50%	
3m-4m	4.5%	2.25%	
4m-6m	6.0%	3.00%	
6m-20m	7.5%	3.75%	
Over 20m	8.5%	4.25%	

[1] *Subject to marginal relief.*
[2] *Subject to note 3 below, the rates are applicable to agreements in respect of non-residential properties executed on or after 23 February 2013 and agreements in respect of residential properties executed between 23 February 2013 and 4 November 2016.*
[3] *Applicable to a Hong Kong Permanent Resident who does not own any other residential property in Hong Kong at the time of acquiring a residential property and certain other limited circumstances.*
[4] *Subject to note 3 above, the flat rate of 15% is applicable to sale and purchase or transfer agreements in respect of residential properties executed on or after 5 November 2016.*

On top of the rates listed above, transfers of residential properties which are acquired on or after 27 October 2012 within three years will be subject to an additional Special Stamp Duty at rates ranging from 10% to 20%.

In addition, residential properties acquired by any person, except a Hong Kong Permanent Resident on or after 27 October 2012, will be subject to an additional Buyer's Stamp Duty at a flat rate of 15%.

(b) Gift tax

No gift tax is levied in Hong Kong.

(c) Estate tax

Estate duty was abolished, effective from 11 February 2006. Estates of persons who pass away on or after that date are not subject to estate duty.

(d) Social Security

Hong Kong does not impose any social security taxes. Employers and employees are each required to contribute the lower of 5% of the employees' salaries or HKD1,500 per month to approved mandatory provident fund schemes unless the employees are covered by other recognized occupational retirement schemes.

Exchange controls

Hong Kong does not impose foreign-exchange controls.

CRS regime

CRS legislation has been in force since 1 January 2017.

Overview of taxation for individuals

Resident and non-resident individuals are subject to consolidated (personal) income tax on income derived from Taiwan sources.

Individuals are considered a tax resident in Taiwan if 1) they have been domiciled and resided in Taiwan for at least 31 days, 2) they have been domiciled and deemed to have met the life and economic substance in Taiwan, or 3) they have resided in Taiwan for at least 183 days within a tax year. In determining tax residency in Taiwan, whether or not individuals have "economic substance" in Taiwan shall be taken into consideration.

Income tax rates for Tax Year 2020:

- **For residents**

  There are progressive tax rates up to 40% for residents. Effective from 1 January 2018, taxpayers can choose to calculate the tax liability for dividends by the more beneficial of the following methods:

  - Combine dividend income with gross consolidated income and apply progressive tax rates. With a tax credit at 8.5% of the dividend income with a limitation of TWD80,000 per year
  - Separately apply a flat tax rate of 28% on the dividend income.

- **For non-residents**

  Income tax for non-residents is at a flat rate based on the type of Taiwan-sourced income received.

Types of income	Tax rate (%)
Salary income, Severance payments, Retirement payments	18
Interest income, Commissions, Rentals, Royalties, Gains from competitions or lotteries, Income from independent professional practice	20
Dividends	21

Individual Alternative Minimum Tax:

Resident individuals should calculate both the tax liability under the Income Tax regulations and Alternative Minimum Tax (AMT) regulations, and pay the greater amount. To determine the income subject to AMT, the following items should be added back to the net income:

- Foreign-source income, if such income for each filing household unit exceeds TWD1m in a tax year.

- Insurance payments from onshore life insurance policies or annuities contracted on or after 1 January 2006 where the purchaser and the beneficiary are not the same person, and that such payments exceed TWD33,300,000. The amount of the insurance payments to be added back, should be the excess amount of the aforesaid TWD33,300,000
- Capital gains derived from transactions in beneficiary certificates of privately placed securities investment trust funds
- Deductions claimed for non-cash charitable contributions
- Dividend income that is selected to calculated its tax by separately apply a flat tax rate of 28%
- Other items published by the Ministry of Finance (MOF)

Overview of taxation for companies

A domestic profit-seeking enterprise is subject to corporate income tax on all of its income regardless of source. All profit-seeking enterprises, including subsidiaries of foreign companies that are incorporated under the Company Law of Taiwan, are considered domestic profit-seeking enterprises. A foreign profit-seeking enterprise is subject to tax only on income sourced in Taiwan.

Income tax rates for Tax Year 2020:

- The rate is 20%.

Taxable income	Tax rate (%)
Up to TWD120,000	0
TWD120,001 and above	20

Surtax for undistributed profits:

A surtax is imposed on the undistributed profits of companies in the second year following the year in which the profits are earned. The surtax rate is 5%. This tax is in addition to the corporate income tax imposed on the profits.

Corporate Alternative minimum tax:

The alternative minimum tax (AMT) applies to domestic profit-seeking enterprises and foreign profit-seeking enterprises that have a fixed place of business or business agent in Taiwan, if the enterprise's base income exceeds TWD500,000. The AMT is calculated in accordance with the following formula:

- AMT = (basic income – deduction of TWD500,000) × 12%

Basic income equals the sum of the following items:

- Taxable income
- Tax-exempt income under the Statute for Upgrading Industries and other tax-incentive regulations
- Income from transactions in securities and futures
- Tax-exempt income of offshore banking units

Other types of tax

(a) Employment income

For resident individuals, employment income tax is levied on the income derived from Taiwan sources after exclusions, deductions and exemptions, at the progressive rates of 5%, 12%, 20%, 30% and 40%. For non-resident individuals, income tax is withheld at the source at flat rates in accordance with the types of income received.

(b) Inheritance tax

Estate tax is imposed on the estate(s) of a decedent who was a Taiwan national or who owned a property / properties in Taiwan. If the decedent was a Taiwan national and was regularly domiciled in Taiwan, estate tax is levied on all properties, wherever located.

If the decedent was a foreign national or a Taiwan national regularly domiciled outside of Taiwan, estate tax is levied only on properties located in Taiwan.

The net amount of the estate value, after exclusions, deductions and exemptions, is taxed at the progressive rates of 10%, 15% and 20%.

(c) Stamp duty

The stamp duty of Taiwan is chargeable on certain documents drawn up within Taiwan and not on transactions. In the context of this publication, the relevant stamp duties with regard to wealth transfer (such as sale of movables or real estate) shall include the following:

- Deeds for sale of movables at TWD12 per contract
- Contracts for the sale, transfer and partition of real estate at 0.1% of the contracting price, or the assessed standard price announced by the government

(d) Gift tax

Gift tax is imposed on gifts made by a donor who is a national of Taiwan or who owns a property / properties in Taiwan. If the donor is a Taiwan national regularly domiciled in Taiwan, the tax is levied on any donated property, wherever located. If the donor is a foreign national or Taiwan national regularly domiciled outside of Taiwan, tax is levied solely on the donated property / properties located in Taiwan. The net amount of the gift value, after exclusions and exemptions, is taxed at the progressive rates of 10%, 15% and 20%.

(e) Other taxes

There is no endowment tax, wealth tax, net wealth tax or transfer duty in Taiwan, nor is there estate income tax in Taiwan as the income that is derived from the decedent's estate after death would be allocated to the successors.

Who is liable?

Estate and gift tax shall be imposed on all properties that are located within and outside of Taiwan for Taiwan nationals that reside in Taiwan continuously. For foreigners and Taiwan nationals that do not reside continuously in Taiwan, taxes shall be levied solely on the properties located within Taiwan.

Exemptions and reliefs

Estate and gift tax deduction on avoiding double taxation of foreign estate tax or gift tax paid in respect of any property situated within such foreign country may be deducted from the Taiwan estate tax or gift tax payable, provided the taxpayer presents proof of tax payment issued by the foreign local tax authority. However, the deduction claimed shall not exceed the increase in tax computed by the applicable tax rate in Taiwan.

Life insurance

Death proceeds received from life insurance shall be excluded from the gross estate of the decedent. However, the excess amount of TWD33,300,000 of the proceeds per income tax reporting household shall be added back to the minimum income to calculate AMT.

Exchange controls

Taiwan adopts limited foreign exchange control. For individuals, if the requested foreign exchange settlement amount exceeds US$500,000 per settlement, the bank is required to review the relevant contracts or letters of approval to confirm that the declared reason of remittance denoted under the Declaration Statement is consistent and reasonable. If an individual's accumulated annual foreign exchange settlement amount exceeds US$5m in a calendar year, advance approval from the Central Bank of Taiwan is required.

CRS Regime

CRS legislation has been in force since 1 January 2019.

Overview of taxation for individuals

Indonesian resident taxpayers are subject to tax on income earned globally. Non-residents are subject to tax on Indonesia-sourced income. Diplomats and representatives of certain international organizations are exempt from Indonesian tax if the countries they represent provide reciprocal exemptions. An individual is considered an Indonesian tax subject if the individual domiciles or resides in Indonesia, or if present in Indonesia for more than 183 days in a given year, or if the individual is present in Indonesia during a calendar year with the intention to reside in Indonesia. The resident tax subject shall become a resident taxpayer if he / she has obtained Indonesian-sourced or foreign-sourced income and if the amount of such income exceeds the non-taxable income.

Indonesian resident taxpayers are taxed on worldwide income. Non-resident Individuals who do not fulfil the criteria as resident tax subjects, as mentioned above, shall constitute non-resident tax subjects. Furthermore, non-resident tax subjects are individuals who run businesses or conduct activities through permanent establishments in Indonesia, but do not reside in Indonesia or exceed 183 days in a year in Indonesia, or individuals who are able to receive or obtain income from Indonesia which is not derived from running businesses or conducting activities through permanent establishments in Indonesia. Non-resident tax subjects with no permanent establishment in Indonesia are taxed only on Indonesia-sourced income, with respect to any applicable tax treaty between the governments (i.e., double tax avoidance). The table below shows the statutory income tax rate for a resident taxpayer:

Taxable income bracket (IDR)	Tax rate (%)
Up to 50 million	5
Over 50 million but not exceeding 250 million	15
Over 250 million but not exceeding 500 million	25
Over 500 million	30

Non-resident tax rate: The tax rate for a non-resident taxpayer who receives Indonesian-sourced income is 20% (final).

Overview of taxation for Companies

In general, Indonesian corporate tax residents are subject to income tax at the flat rate of 22% for the tax years 2020 and 2021. The rate is reduced to 20% starting the tax year 2020. No resident taxpayers are subject to 20% on certain income sourced from Indonesia and can be reduced or exempted under applicable tax treaty, provided that the Indonesian tax treaty application rules are met. A company is treated as a resident of Indonesia for tax purposes by virtue of having its incorporation or its domicile is in Indonesia. A foreign company carrying out business activities through a permanent establishment in Indonesia will generally have to assume the same tax obligations as a resident taxpayer. Foreign companies without a PE in Indonesia have to settle their tax liabilities for their Indonesian-sourced income through withholding tax mechanism carried out by the Indonesian withholding tax agent.

Monthly corporate income tax instalments (Article 25 income tax) constitute the first part of tax payments to be made by resident taxpayers and Indonesian PEs as a prepayment of their current year Corporate Income Tax liability. A monthly tax instalment is generally calculated using the most recent Corporate Income Tax Return (CITR). Special instalment calculations apply for new taxpayers, *insurance*, finance lease companies, banks, state-owned companies, listed companies and other taxpayers with periodical reporting requirements. The tax withheld by third parties on certain income (Article 23 income tax) also constitute prepayments for the current year CIT liability of the income recipient. If the total amount of tax paid in advance through the year (Articles 23 and 25 income taxes) and the tax paid abroad (Article 24 income tax) is less than the total CIT due, the taxpayer has to settle the shortfall before filing its CITR. Such a payment is referred to as Article 29 income tax.

In addition, certain types of income earned by resident taxpayers or Indonesian PEs are subject to final income tax. In this respect, generally, the tax withheld by third parties (referred to as Article 4(2) income tax) constitutes the final settlement of the income tax for that particular income. For foreign companies without a PE in Indonesia, the tax withheld from their Indonesian-sourced income by the Indonesian party paying the income (Article 26 income tax) constitutes a final settlement of their income tax due.

Other types of tax

(a) Wealth tax

There is no wealth tax in Indonesia. However, Indonesian income tax law states that an increment in wealth originating from income not yet subject to tax is taxable. In the Indonesian individual income tax return, the individual is required to declare assets and liabilities owned at the end of the fiscal year. From this figure, the tax office will assess whether there is any increment or addition of assets and / or liabilities which may originate from income not yet reported in the tax return.

(b) Stamp duty

In general, documents (i.e., letters, notarial deed, securities, checks and deposit checks) are subject to stamp duty with tariff up to IDR6,000 (less than S$1). The need of the stamp duty depends on the use and purpose of the documents.

(c) Gift and grant tax

Indonesian income tax law stipulates that gifts from parents directly to children, or vice versa, and gifts or grants received by religious organizations, educational organizations, or social organizations, as stipulated by the Minister of Finance (MoF), are not taxable as long as there is no

relation with business, employment, ownership, or control among the parties concerned.

(d) Estate income

When an individual passes away, his / her estate will be a "taxpayer" entity. The tax obligation of the "decedent's estate" will be fulfilled by his / her heir. The tax obligation will be considered complete at the time the estate is distributed.

(e) Other taxes

There is no inheritance tax, endowment tax or net wealth tax (refer to wealth tax above) in Indonesia.

Life insurance

An insurance premium paid by an Indonesian employer to an insurance company is taxable income, and is subject to employee income tax withholding with the progressive tax rates (5% to 30%). If paid by the individual, the premium paid is not deductible. Further, when there is a claim for a life insurance benefit, the amount received is not taxable to the beneficiary.

Civil law on succession

Under Indonesian law, there are two ways to receive an inheritance: as heirs based on the law or appointed in a testament.

Exchange controls

Indonesia adopts an open capital account with some transaction limitations. Of these limitations, only authorized banks may carry out foreign trade-related operations and the central bank requires the submission of evidence of underlying transactions to support the purchase of foreign currency exceeding US$25,000 per month. It is mandatory for all domestic transactions to be conducted in Rupiah.

CRS regime

CRS legislation has been in force since 1 July 2017.

Overview of taxation for individuals

Resident and non-resident individuals are subject to income tax on all income derived in Malaysia. Generally, employment income is deemed to be derived in Malaysia when employment is exercised in Malaysia or performed outside of Malaysia for the purposes of the employment in Malaysia. Some benefits and amenities may be tax-exempt if specific circumstances exist or conditions are met. Short-term visitors to Malaysia receive a tax exemption on employment income if the employment does not exceed any of the following:

- A period totaling 60 days in a calendar year
- A continuous period or periods totaling 60 days spanning two calendar years
- A continuous period spanning two calendar years, plus other periods in either of the calendar years, totaling 60 days

Individuals who carry on a business in Malaysia (a profession, a vocation, or a trade) are taxed on the profits derived in Malaysia. Any remittance of foreign-source income into Malaysia by individuals is not subject to Malaysian income tax. Individuals are considered tax residents in the following circumstances:

- Physically present in Malaysia for 182 days or more during the calendar year; or
- Physically present in Malaysia for less than 182 days during the calendar year, but physically present in Malaysia for at least 182 consecutive days in the second half of the immediate preceding calendar year or in the first half of the immediate following calendar year. Periods of temporary absence are included in a period of consecutive presence if the absence is related to the individual's service in Malaysia, personal illness, illness of an immediate family member, or social visits not exceeding 14 days; or
- Physically present in Malaysia for at least 90 days during the calendar year, and have been resident or present in Malaysia for at least 90 days in any three of the four preceding years; or
- Have been resident for the three preceding calendar years and will be resident in the following calendar year. This is the only case in which an individual may qualify as a resident without being physically present in Malaysia during a particular calendar year.

A tax resident is subject to tax at graduated rates from 0% to 30% and is allowed to claim personal reliefs. A non-tax resident is taxed at the flat rate of 30% and is not entitled to claim personal relief.

Overview of taxation for companies

Resident and non-resident companies who carrying on a business in Malaysia are subject to income tax on income accruing in or derived from Malaysia (except for resident companies engaged in banking, insurance, shipping or air transport are taxable on their worldwide income). Income derived from sources outside Malaysia and received in Malaysia is not taxable.

A company is resident in Malaysia if its management and control is exercised in Malaysia; the place of incorporation is irrelevant.

Generally, resident and non-resident companies are subject to tax at 24%. The tax rates for resident companies who fulfilled conditions as small and medium enterprises are 17% on the first RM600,000 of chargeable income and 24% on the remaining chargeable income.

Other types of tax

(a) Estate income

All income accrued by a deceased individual up until the date of death is taxable under the name of the deceased individual. All income accruing thereafter forms the income of the estate of the deceased, and is taxable under the name of the executors.

(b) Real property gains tax (RPGT)

RPGT is levied on gain arising from the disposal of any real property (i.e. leasehold or freehold, residential or commercial land and building) located in Malaysia or shares in a real property company.

The RPGT rates ranging from 5% to 30%, depending on the period of holding the chargeable asset.

Transfer of chargeable assets of a deceased person to the executor or legatee will not attract RPGT. However, the subsequent disposal of the chargeable assets by the executor or legatee will be subject to RPGT.

(c) Stamp duty

Stamp duty is imposed on instruments (i.e. any written document including legal, commercial and financial instruments) executed within or outside Malaysia. A duly stamped instrument protects the parties to the contract in respect of the admissibility of the instrument as evidence in court during a civil proceeding.

Transfer of property of a deceased person to the beneficiaries is subject to nominal stamp duty. However, subsequent transfer or sale of property by the beneficiaries will be subject to stamp duty at ad valorem rates.

(d) Other taxes

Malaysia does not have inheritance tax, estate duty, wealth tax, gift tax, endowment tax or net wealth tax.

Life insurance

Resident individuals who paid premium for personal life insurance are eligible to claim personal tax relief. Where the insurance premium is paid for the business of individuals or companies, tax deduction is generally available except for payments for key-man insurance premium with investment element.

Personal life insurance payouts are not taxable in Malaysia. However, the insurance payouts to the business of individuals or companies will be taxable if tax deduction is claimed on the premium paid.

Exchange controls

Over the years, the Foreign Exchange Administration (FEA) rules have been progressively liberalized and simplified. The following are notable extracts from these rules:

- **General rules applicable to non-resident individuals**
  Non-residents are free to make direct or portfolio investments in Ringgit assets or foreign currency assets in Malaysia. No restrictions are imposed on the repatriation of capital, profits, or income arising from these investments in Malaysia. However, repatriation must be made in foreign currency
- **General rules applicable to resident individuals**
  Resident individuals are free to undertake investment abroad, although there are some restrictions in respect to the source of funds, such as:
  - Up to RM10m equivalent of foreign currency borrowing is permitted from a licensed onshore bank or a non-resident
  - Up to RM1m equivalent in aggregate per calendar year using funds from conversion of Ringgit, or transfer from a Trade Foreign Currency Account

CRS regime

CRS legislation has been in force since 1 July 2017.

Overview of taxation for individuals

New Zealand residents are generally subject to income tax on their worldwide income and may be taxed on attributed income in relation to interests in controlled foreign companies or foreign investment funds (FIFs).

Non-residents are subject to income tax on New Zealand-sourced income only.

Transitional resident individuals (please see below) may be exempt from New Zealand income tax for a four-year period (sometimes slightly longer) on foreign-sourced and attributed income other than foreign-sourced employment or services income.

New Zealand-sourced income may arise, for instance, when:

- Employment income is earned in New Zealand
- Income is derived by the owner of land in New Zealand
- Income is derived from shares in or membership of New Zealand-resident companies
- Income is derived from the disposal of depreciable or revenue account property situated in New Zealand

The New Zealand income tax treatment of trusts (and the estates of deceased individuals) can be complex. The treatment of income derived through trusts and of distributions (other than of current-year income) generally depends on whether any New Zealand residents have made any settlements on the trusts and whether there is New Zealand-sourced income

Residency

Individuals are considered resident in New Zealand for income tax purposes if they meet either of the following conditions:

- They have a permanent place of abode in New Zealand, regardless of whether they also have a permanent place of abode in another country.
- They are physically present in New Zealand for more than 183 days in any 12-month period

Transitional residency

Individuals who first arrive and become resident in New Zealand after 1 April 2006, or who have been non-resident for at least 10 years before returning to New Zealand after that date, may choose to be treated as transitional residents.

Transitional residents may be exempt from New Zealand income tax on certain foreign-sourced and attributed income for the first four years (possibly up to four and a half years in some circumstances) of their New Zealand residence. The transitional resident exemption does not apply to foreign-sourced employment or services income derived during the transitional residence period and is available only once.

Overview of taxation for companies

Resident companies are subject to income tax on worldwide taxable income.

Non-resident companies carrying on business through a branch pay tax only on New Zealand-source income.

A company is resident in New Zealand if it is incorporated in New Zealand, if it has its head office or centre of management in New Zealand or if director control is exercised in New Zealand.

New Zealand-sourced income may arise, for instance, when:

- A business is carried on wholly or partly in New Zealand
- Contracts are made or wholly or partly performed in New Zealand
- Income is derived by the owner of land in New Zealand
- Income is derived from shares in or membership of New Zealand-resident companies
- Income is derived from the disposal of depreciable or revenue account property situated in New Zealand

Other types of tax

(a) Goods and Services Tax ("GST")

Goods and services tax (GST) is similar to a value-added tax (VAT) and is imposed on supplies of goods or services in New Zealand by persons who are formally GST-registered or who are liable to be so registered (because the level of their supplies of a GST-taxable nature in the current and preceding 11 months has exceeded NZD60,000 or is expected to exceed that amount over the current and subsequent 11 months).

GST may also be levied on goods imported into New Zealand, regardless of the GST status of the importer, and may apply by way of a reverse charge in relation to imported services in some circumstances.

GST-exempt activities include supplies of financial services (although some may be zero-rated in certain circumstances, which enables suppliers to claim related GST input tax credits).

(b) Inheritance tax

There is no inheritance tax in New Zealand

(c) Gift tax

There is no gift tax in New Zealand

(c) Deed tax

There is no deed tax in New Zealand

Life insurance

Life insurance proceeds are generally regarded as capital receipts that are not subject to income tax. However, rights (including contingent or discretionary rights) to benefit from foreign life insurance policies may constitute FIF interests in relation to which New Zealand resident holders (other than transitional residents) may be taxable on attributed FIF income.

Exchange controls

There are currently no exchange controls in New Zealand.

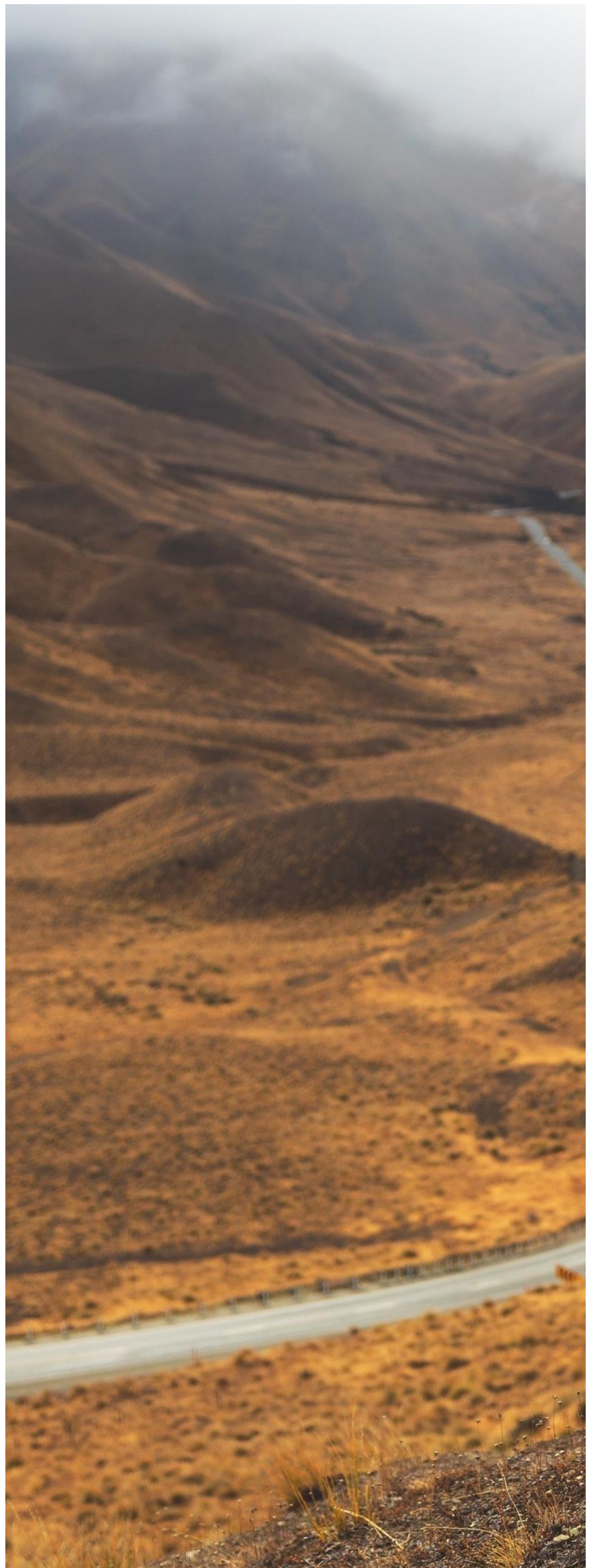
Others

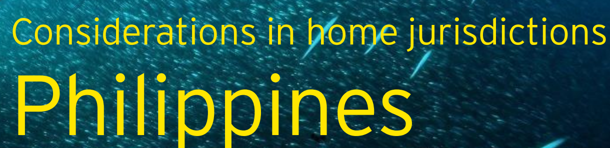
Trusts are well-established and recognized under New Zealand law, and trusts are commonly used for asset protection and succession planning purposes.

The New Zealand income tax treatment of trusts (and the estates of deceased individuals) can be complex, particularly if there are any cross-border elements, whether in terms of assets, settlors, trustees or beneficiaries.

CRS regime

CRS legislation has been in force since 1 July 2017





Considerations in home jurisdictions

Philippines

Overview of taxation for individuals

Philippine citizens residing in the Philippines are subject to tax on worldwide income. Non-resident citizens, resident aliens and non-resident aliens are subject to tax on Philippine-sourced income. Employees of a Philippine entity who are working abroad for most of the tax year but remain on the local payroll are resident citizens, and their income earned is subject to withholding tax in the Philippines.

For foreign nationals, residence is determined by the length and nature of an individual's stay in the Philippines. If an alien makes his or her home temporarily in the Philippines with no definite intention as to length of stay, the individual becomes a resident. Individuals who reside in the Philippines with the intention to remain permanently are considered residents. Foreign individuals who acquire residence in the Philippines remain residents until they depart with the intention of abandoning that residence.

Non-resident aliens are classified as either engaged or not engaged in trade or business in the Philippines. A non-resident alien who stays in the Philippines for more than a total of 180 days during any calendar year is deemed to be engaged in trade or business in the Philippines. As a result, he/she will be liable to tax at graduated rates of 0% to 32%, for all years of assignment in the Philippines.

Overview of taxation for companies

All income earned by domestic corporations are subject to tax, while only Philippine-sourced income by foreign corporations are subject to tax. Foreign corporations engaged in trade or business in the Philippines are considered residents of the Philippines thus, subject to the regular corporate tax of 30% based on net income. On the other hand, foreign corporations not engaged in trade or business in the Philippines are subject to final tax of 30% based on gross income.

Currently, there is a proposed legislation to gradually decrease the corporate income tax to 20%.

Other types of tax

(a) Estate Tax

The Philippines imposes estate tax which applies on the net estate of a decedent's estate at the time of the person's death. The value of the gross estate includes the FMV of all properties, real or personal, and

tangible or intangible, regardless of their location. With respect to non-resident aliens, only properties located in the Philippines are subject to estate tax.

The estate tax is now a flat rate of 6% beginning 1 January 2018 based on the net estate at the time of death.

(b) Donor's Tax

Residents and non-residents are subject to donor's tax, which is payable by the donor on total net gifts made in a calendar year.

Donor's tax is a flat rate of 6% beginning 1 January 2018 based on the total donation, whether the recipient is a stranger or related to the donor, excess of Philippine Peso (PhP) 250,000 made during the calendar year.

The following donations of a Philippine resident during his or her lifetime are also exempt from donor's tax:

- Gifts made to or for the use of the national government or any entity created by any of its agencies that is not conducted for profit, or to any political subdivision of the said government
- Gifts in favor of an educational and/or charitable, religious, cultural or social welfare corporation, institution, accredited nongovernment organization, trust or philanthropic organization or research institution or organization provided, however, that no more than 30% of said gifts shall be used for administration purposes

(c) Other taxes

- **Capital Gains Tax (CGT)**
  A final tax of 6% is imposed on the gross selling price or fair market value, whichever is higher, realized from the transfer of real properties.

  With respect to transfer of non-listed shares, a final tax of 15% is imposed on the net capital gains received by a domestic corporation. When received by a foreign corporation, net capital gain shall be subject to 5% on the first Php100,00 and 10% on the excess amount.

- **Stock Transaction Tax (STT)**
  Transfer of shares listed in the Philippine Stock Exchange is subject to 6/10 of 1% tax based on gross selling price or gross value money of the shares.

- **Documentary Stamp Tax (DST)**
  Transfer of non-listed shares is subject to DST at the rate of Php1.50 for every Php200 of par value, or if no par value 50% of DST paid upon the original issue of said share. On the other hand, transfer of listed shares is not subject to DST.

  For transfer of real properties, there shall be STT of Php15 for every Php1,000 based on the selling price or fair market value, whichever is higher.

- **Others**
  There is no inheritance tax, endowment tax or net wealth tax in the Philippines.

Exemptions and reliefs

Estate tax exemptions

The following transmissions are not subject to estate tax:

- The merger of usufruct in the owner of the naked title
- The transmission or delivery of the inheritance or legacy by the fiduciary heir or legatee to the fideicommissary
- The transmission from the first heir, legatee or done in favor of another beneficiary, in accordance with the desire of the predecessor

- All bequests, devises, legacies or transfers to social welfare, cultural and charitable institutions, no part of the net income of which inures to the benefit of any individual; provided, however, that no more than 30% of the said bequests, devises, legacies or transfers shall be used by such institutions for administration purposes

Assessments and valuations

The estate shall be appraised at its FMV as of the time of death, at the higher of:

- The FMV as determined by the Commissioner; or
- The FMV as shown in the schedule of values fixed by the provincial and city assessors

With respect to usufruct, the value of the right of usufruct, use or habitation, as well as that of annuity, shall take into account the probable life of the beneficiary in accordance with the latest Basic Standard Mortality Table approved by the Secretary of Finance, upon recommendation of the Insurance Commissioner.

In the case of shares of stocks, unlisted common shares are valued based on their book value while unlisted preferred shares are valued at par value. For shares that are listed and traded on the stock exchange, the market price nearest to the date of death is considered the FMV.

Grants

From an estate tax perspective, grants forming part of the estate of the decedent at the time of his estate are considered subject to estate tax. Grants given by the decedent during his lifetime are subject to donor's tax unless they will qualify as one of the donations exempt from donor's tax as enumerated earlier.

Life insurance

Proceeds from life insurance forms part of the gross estate for estate tax purposes except where:

- The beneficiary is irrevocably appointed; or
- Under a group insurance taken by employer (not taken out of the life of the decedent)

Civil law on succession

(a) Estate planning

As briefly mentioned above, there are several estate planning tools that can be used to cushion the impact of estate tax, such as donations or gifts, life insurance, trusts, foundations, straight sale and tax-free exchange.

(b) Sale of asset

This mode of transfer during the lifetime of the decedent is the simplest way to reduce an estate. Although tax rates of CGT, donor and estate tax are the same, the tax implications of a sales transaction can be lower than donor's tax and estate tax over time for assets that tend to appreciate like real property.

It should be noted that transfer by way of sale of real estate properties that are classified as ordinary assets is not recommended since this will entail higher taxes.

(c) Succession

The Philippines has institutionalized the concept of compulsory heirs and their legitime.

Thus, regardless of the wishes and desires of a testator as provided in his or her will, the legitime of compulsory heirs must be respected. Legitime cannot be the subject of any burden, restriction, condition or substitution.

Intestacy

Intestate succession rules will govern when a citizen dies without a will.

When a citizen dies with a will, the will has to be probated in court where the extrinsic (formal) and intrinsic (substantive) validity of the will and testament will be determined. For aliens, resident or not, the formal validity of will is determined by the rules of the jurisdiction in which the will was executed. Generally, the rules of succession of the foreign country of his/her nationality will determine the hereditary rights of the heirs. The rules of the country of domicile/residence may also come into play.

In some cases, Philippine rules on succession will apply if his/her country of nationality or residence adheres to the renvoi doctrine.

Probate

As long as a will exists, a probate proceeding has to take place during which the validity or invalidity of the will is determined. If the entire will is invalidated for violating formal or substantive rules in making a will, the intestate succession will be determined in the same proceeding.

Exchange controls

The Philippines has adopted liberal foreign-exchange policies. In general, no restrictions are imposed on the repatriation of capital, profits or income earned in the Philippines. Foreign loans and foreign investments may be registered with the Philippine Central Bank (BSP). Only loans registered with the BSP are eligible for servicing through the use of foreign exchange purchased from the banking system. However, the registration of a foreign investment is required only if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings is sourced in the banking system.

CRS Regime

Currently, CRS legislation has not been adopted in the Philippines.

Singapore

Overview of taxation for individuals

In general, most income sourced in Singapore will be subject to tax, regardless of whether the income is received in or outside of Singapore, unless the income is specifically exempt by legislation or concession.

All individuals (tax residents and non-residents) who derive income from sources outside of Singapore are not subject to tax on such income. However, this exemption does not apply if the foreign-sourced income is received through a partnership in Singapore.

Individuals are considered Singapore tax residents if they permanently reside in Singapore (excluding temporary absences) in the year preceding the assessment year. This also includes persons who are physically present or who exercise employment (other than as a director of a company) in Singapore for at least 183 days during the year preceding the assessment year.

A concession is available for individuals whose employment period in Singapore straddles two calendar years. Under this two-year administrative concession, an individual is considered a resident for both years if he stays or works in Singapore for a continuous period of at least 183 days over two consecutive calendar years, even if he spends less than 183 days in Singapore in each year.

Non-resident individuals exercising employment in Singapore for not more than 60 days in a calendar year are exempt from tax on their employment income derived from Singapore. This exemption does not apply to a director of a company, a public entertainer or a professional in Singapore. Professionals include foreign experts, foreign speakers, queen's counsels, consultants, trainers, coaches, etc.

Tax residents are subject to tax at graduated rates ranging from 0% to 22%, with allowable deductions for applicable personal reliefs. Non-residents are taxed based on a flat rate of 15% (without personal relief) for employment income and 22% for investment income (e.g. rental) or the graduated resident rates (with personal reliefs), whichever is higher.

Overview of taxation for companies

Corporate income tax is imposed on all income derived from sources in Singapore, and on income from sources outside Singapore if received in Singapore. However,

a non-resident company that is not operating in or from Singapore is generally not taxed on foreign-source income received in Singapore. A company is a tax resident in Singapore if the control and management of its business is exercised in Singapore; the place of incorporation is not relevant.

Remittances of foreign income in the form of dividends, branch profits and services income (specified foreign income) into Singapore by companies resident in Singapore are exempt from tax if prescribed conditions are met. For remittances of specified foreign income that does not meet the prescribed conditions, companies may be granted tax exemption under specific scenarios or circumstances on an approval basis.

Capital gains are not taxed in Singapore. However, in certain circumstances, the Singapore Revenue considers transactions involving the acquisition and disposal of assets, such as real estate, stock or shares to be the carrying on of a trade, and, as a result, gains arising from such transactions are taxable. The determination of whether such gains are taxable is based on a consideration of the facts and circumstances of each case.

The prevailing corporate income tax rate is 17%.

Other types of tax

Singapore does not impose capital gain tax, inheritance tax, endowment tax, transfer duty or wealth taxes. However, there are tax implications for certain residential property sales, transfers not made in accordance with the will or law, gifts, estates that continue to generate income after death and trusts.

Life insurance

Personal life insurance payouts are not taxable as estate tax has been abolished.

Exchange controls

Singapore does not impose foreign-exchange controls.

CRS Regime

CRS legislation has been in force since 1 January 2017.

Considerations in home jurisdictions

South Korea

Overview of taxation for individuals

A person who has a domicile in Korea or has resided in Korea for 183 days or longer during one taxable period is subject to income tax on all income derived from sources both within and outside Korea.
A person who is not a resident of Korea is deemed a non-resident and is subject to income tax only on income derived form sources in Korea.

The progressive tax rates are up to 42% (46.2% including local income tax).

Overview of taxation for companies

Companies subject to corporation tax in Korea can be classified into two types: domestic or foreign and for-profit or non-profit. For tax purpose, a company with its head or main office in Korea is deemed to be a domestic company and is liable to tax on its worldwide income. Otherwise, it is considered to be a foreign company, and the tax liabilities of foreign companies are limited to Korean-source income.

Other types of tax

(a) Inheritance tax

Non-residents are obliged to pay inheritance taxes on all inherited assets in Korea.
The tax rates are at least 10% to up to 50% depending on the value of the inherited property.

(b) Gift tax

Non-resident done is obligated to pay gift tax on assets in foreign financial accounts.
Where a done is a for-profit company, it is exempt from gift tax.
Tax rates are at least 10% to up to 50%.

(c) Other tax

Transfers of immovable property and shares are subject to a capital gain tax.
Rates are at least 6% to up to 70%(6.6% to 77% including local income tax).

Transfers of stocks are subject to a securities transaction tax.
General tax rate is 0.45%.

Life insurance

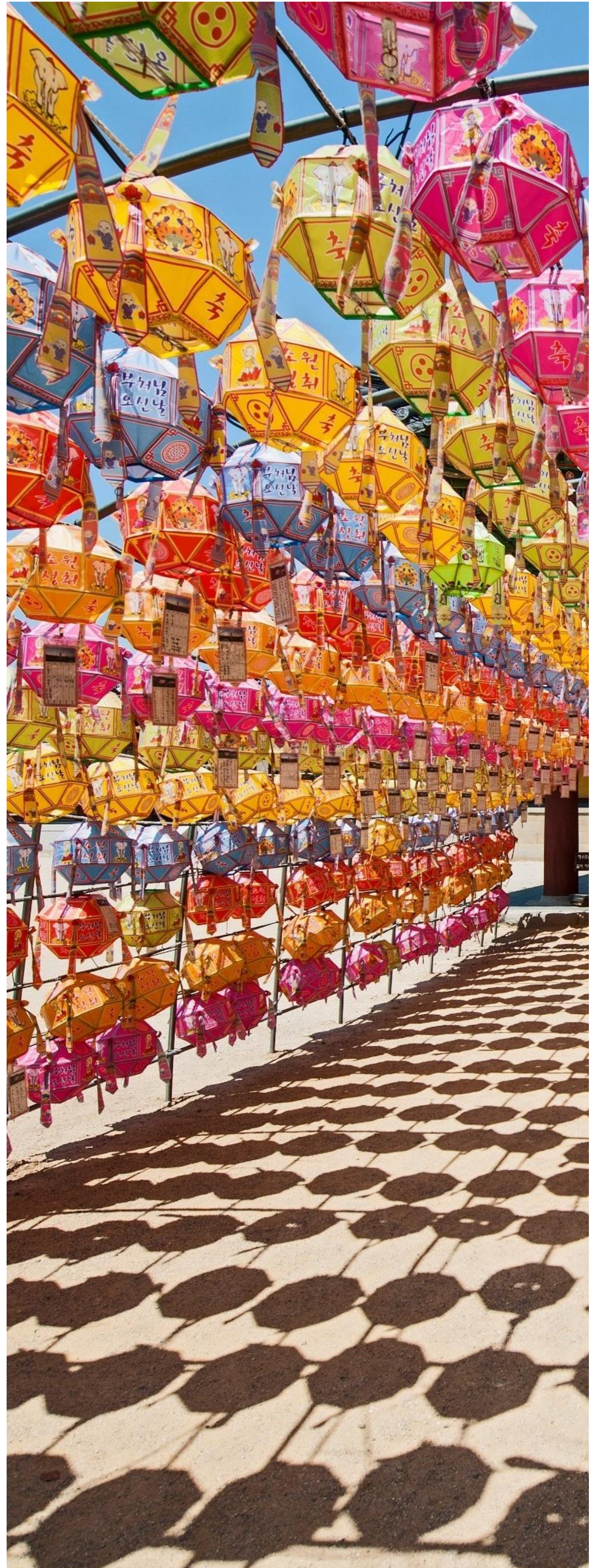
Insurance gains on certain types of savings life insurance are considered interest income and subject to income tax.

Exchange controls

The Foreign Exchange Transaction Act regulates foreign exchange transactions and includes provisions on: Regulatory measures for foreign exchange (FX) stability by the Ministry of Economy and Finance (MOEF), such as restrictions on FX rates and suspension of FX trading.

CRS regime

CRS compliance started from 1 January 2016.



Considerations in home jurisdictions

Thailand

Overview of taxation for individuals

All resident and non-resident individuals earning Thailand-sourced income are subject to personal income tax (PIT). A Thailand resident is also subject to PIT on self-employment and business income from overseas sources if the income is remitted to Thailand.

Individuals are considered a resident if they reside in Thailand for a period or periods aggregating to 180 days or more during a calendar year. Income earned overseas by Thai residents is also subject to PIT if it is remitted to Thailand in the year it is earned. The progressive tax rates are up to 35%.

Other types of tax

(a) Inheritance tax

Under the Inheritance Tax Act, which was enacted in 2015, inheritances received are taxable only on the accumulated value in excess of THB100m per benefactor, at a rate of 5% in the case of descendants or parents or 10% in all other cases.

The tax filing must be completed within 150 days from the date of receipt or penalties and surcharges are applied.

(b) Gift tax

In general, gifts are taxed at a flat rate of 5%. However, gifts received from a legitimate parent, child or spouse (up to THB20m per tax year) or in a ceremony or on occasions in accordance with custom and tradition (up to THB10m per tax year) are exempt from tax.

A relief from particular taxes may be granted under the tax-saving business transfer scheme provided by the Thai Revenue Department.

(c) Other taxes

Endowment tax and net wealth tax are not applicable in Thailand.

Life insurance

Group life insurance premiums paid by the employer to an insurance company operating in Thailand on behalf of its employees are tax-exempt benefits if the duration of the group insurance policy does

not exceed one year. Further, when there is a claim for a life insurance benefit, the amount received is not taxable to the beneficiary. The life insurance benefit received by the beneficiary from the policy of the deceased person is not subject to inheritance tax.

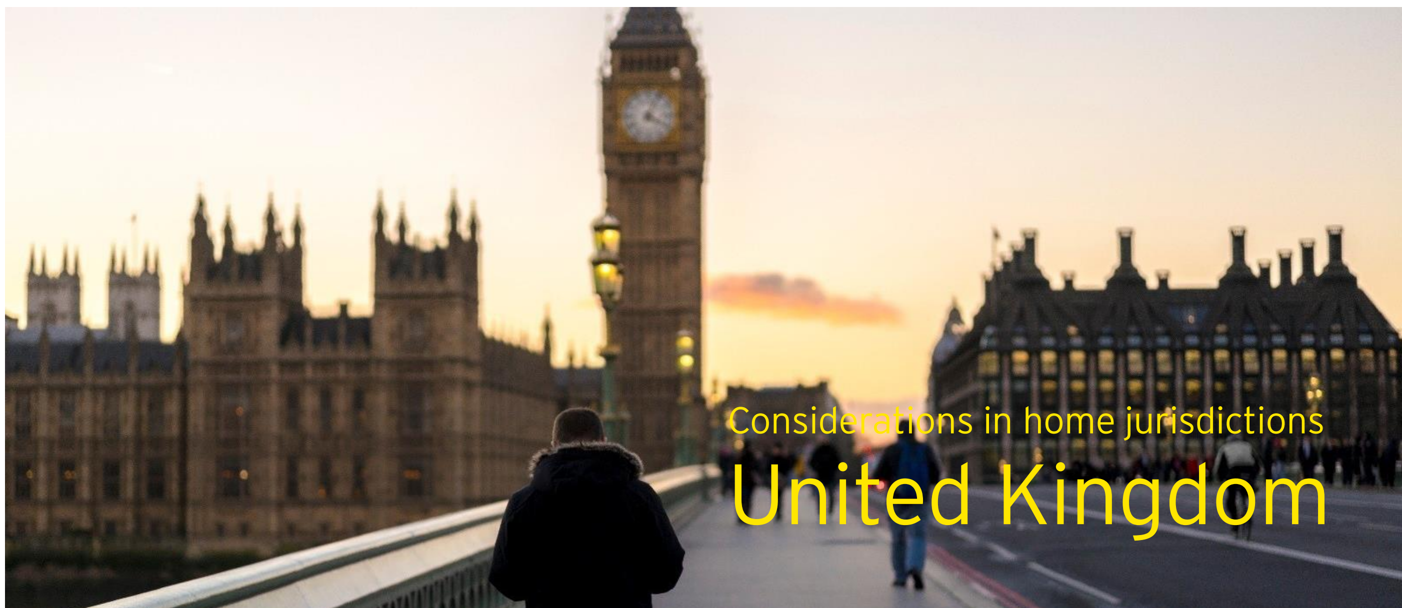
Exchange controls

All foreign exchange transactions are to be conducted through commercial banks and through authorized non-banks, by the Minister of Finance. Generally, the Bank of Thailand will grant approval through commercial banks for the remittance of money outside Thailand providing that substantiation for the payments can be sufficiently submitted. That is, the repatriation of investment funds and repayment of overseas loans can be remitted upon submission of supporting documents to an authorized bank. For repatriation of investment funds, evidence of sale or transfer of such investment shall be submitted. For loan repayment, evidence of inward remittance of such loan and loan agreement shall be submitted.

Based on the Bank of Thailand, transfers in foreign currency for direct and portfolio investments in Thailand are permitted. Proceeds must be surrendered to an authorized bank or deposited in a foreign currency account with an authorized bank in Thailand within 360 days.

CRS Regime

Currently, CRS legislation has not been adopted in Thailand.



Overview of taxation for individuals

Chargeability to UK income tax and capital gains tax is primarily based on the UK tax residence status of the individual. Resident individuals are generally taxable on their worldwide income and capital gains. Non-resident individuals are taxable on their UK source income as well as disposals of UK situated property.

The Statutory Residence Test (SRT) is used to determine tax residence in the UK and consists of three parts. The first two parts consider whether an individual can be classed as either conclusively resident or conclusively not resident in the UK for tax purposes. If neither of these tests apply the third part of the SRT considers any connecting factors an individual has with the UK in order to determine the number of days the individual can spend in the UK before being considered as UK resident.

Individuals who are UK resident but not UK domiciled (and not deemed UK domiciled) may have access to the remittance basis of taxation on non-UK sourced income and gains.

After deduction of any available allowances, UK income tax is currently charged at rates of 20%, 40% and 45% on all non-dividend income depending on the overall level of the individual's UK taxable income. Dividend income is taxed at rates of 7.5%, 32.5% and 38.1%.

Capital gains are subject to tax at up to 20% for most assets and up to 28% for disposals of UK real estate.

Generally tax will be charged under either income or capital gains rather than both. Whether income or capital gains tax is chargeable will depend on the nature of the underlying source or asset.

Overview of taxation for companies

Most UK companies are generally taxed on profits of their trade, meaning accounting profit with fiscal adjustments. Certain types of companies, for example investment companies and life companies, are subject to different regimes.

The current rate of corporation tax in the UK is 19%, with the planned reduction to 17% from 1 April 2020 having been cancelled in the recent Budget.

Deductions from trade profit are available for non-capital expenses incurred 'wholly and exclusively for the purposes of the trade. This means that where a company

takes out a 'key-person' insurance policy, it would be necessary to meet these general conditions, which are the subject of numerous tax cases.

Other types of tax

(a) Inheritance tax

Inheritance tax (a unified estate and gift tax) is levied on the worldwide estate of a donor or decedent who is domiciled (or deemed domiciled) in the UK and on the UK-sited assets of a person who is not domiciled (and not deemed domiciled) in the UK.

3 types of transfers apply for inheritance tax purposes:

- Exempt transfers – Special exemptions such as gifts to charities or spouses.
- Potentially exempt transfers – lifetime transfers which only become chargeable if the transferor dies within seven years of making the gift.
- Chargeable transfers – immediately chargeable in excess of the available nil-band rate (currently £325,000 for the tax year 2018-19 and fixed until 2020–21) which can only be used once every seven years. E.g. transfers on death (if not to an exempt beneficiary), lifetime transfers to most trusts or a company not 100% owned by the transferor.
- Additional nil-rate band introduced in tax year 2017-18 when a main residence is passed on death to a direct descendant, with conditions.

Rates: 0% - 40%

(b) Other tax

Transfers of land and buildings (residential, non-residential, mixed use) are subject to taxes such as:

- Stamp Duty Land Tax (for England and Northern Ireland)
- Land and Buildings Transaction Tax (for Scotland)
- Land Transaction Tax (for Wales)
- Annual Tax on Enveloped Dwellings (for residential properties anywhere in the UK)

Whilst not a tax on the transfer of land, there is also an Annual Tax on Enveloped Dwellings (for residential properties anywhere in the UK).

Transfers of stock or marketable securities (i.e. shares and certain debt instruments) and certain partnership interests are subject to UK stamp duty.

UK income tax is charged at the basic, higher or additional rate on certain gains arising from life policies

Life insurance

Cash value life policies issued by a non-UK insurer (e.g. issued in Singapore) that are held by UK residents are usually subject to a deferred income tax charge on the gain arising when the policy matures, is surrendered or assigned (or on the death of the life assured), rather than a capital gains tax charge. Unlike the scenario where the policy is issued by a UK insurer, there is no allowance for the basic rate of income tax being treated as paid, so the whole gain is liable to income tax. Where the insurer has a minimum level of business with UK residents (currently cumulative premiums of £1m on such policies), they may have reporting obligations to both the policyholder and HMRC, depending on the level of premiums in respect of such policies held by UK residents.

This is subject to certain anti-avoidance charges which may arise where the investor has the ability to select their own investments outside a narrow permitted range.

Exchange controls

None

Others

(a) Mandatory Disclosure Regime

Where there is an arrangement which could secure a UK or EU tax advantage that triggers certain hallmarks, an intermediary or taxpayer involved may have a reporting obligation. It should be noted that an intermediary is widely defined and can include permanent establishments in the UK/EU through which services are provided. Alternatively, the obligation may rest with a policyholder as a relevant taxpayer where there is no UK/EU intermediary involved.

It should be note that the interpretation of the hallmarks is very wide and can catch some otherwise innocuous arrangements. It should also be noted that there is an exemption where the tax advantage is within the scope of that intended by Government Policy.

(b) Corporate Criminal Offence

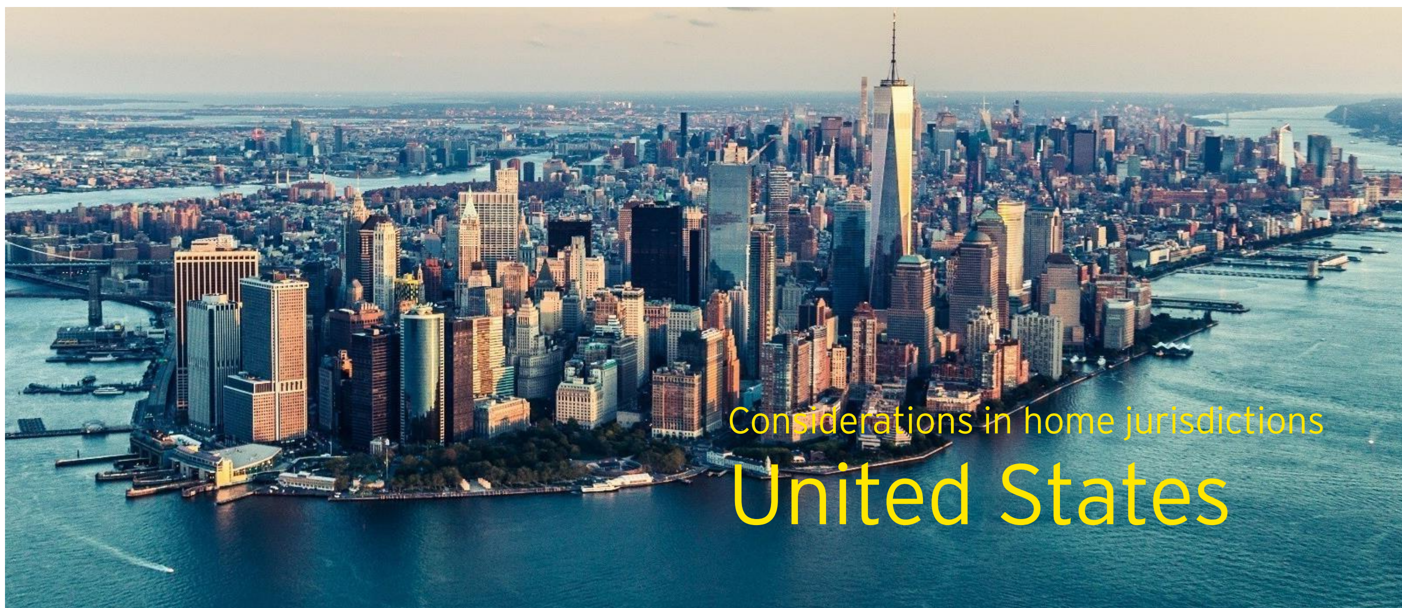
There is a potentially unlimited fine where a someone acting on behalf of an entity helps to facilitate tax evasion by a third party and that entity does not have reasonable procedures in place to prevent this.

The legislation has wide extra-territorial effect. Where the evasion is in relation to UK tax, the UK authorities may seek to prosecute an entity even if it has no UK footprint and may conduct proceedings in-absentia.

Where the offence relates to overseas tax, the UK authorities may initiate proceedings where there has been business conducted in the UK, even if there is no UK Permanent Establishment.

CRS regime

CRS legislation has been in force since 1 January 2016.



Overview of taxation for individuals

The US operates on a worldwide tax regime for US Citizens and resident aliens. What that means is that these individuals are taxed by the US on worldwide income regardless of where earned. Depending on whether a country has a treaty in place with the US might mitigate double taxation and allow for an offsetting foreign tax credit for a US filer. However, this would be reviewed on a per taxpayer basis. Non-resident aliens generally are only subject to tax in the US on income that is effectively connected to a US trade or business also known as "ECI." Common sources of this income would be dividends from a US corporation or distributive share of profits reported via Schedule K-1 from a partnership or S Corporation. Each state has their own rules regarding income taxes including residency, sourcing, domicile and nexus. Both the technical rules surrounding resident state taxes and nonresident state taxes different on a state by state basis.

Overview of taxation for companies

Taxation for companies depends on whether the company is a flow-through entity such as a partnership or S Corporation or a blocker type entity such as a C Corporation. If the former, the distributive share of any profits will be taxed to the ultimate partners or shareholders and no federal tax is assessed at the entity level. If a C Corporation, then an entity level tax applies with any distributions either being treated as compensation or a dividend.

Other types of tax

(a) Inheritance tax

- None at the federal level
- A minority of states independently maintain inheritance tax regimes at rates ranging up to 16%

(b) Gift tax

- Yes, imposed on the transfer of taxable estate at death.
- US citizens and residents: 40% rate with US$10 million estate tax exemption, adjusted annually for inflation
- Non-resident aliens: includes only US situs property owned at death. 40% rate with US$60,000 exemption not indexed for inflation

(c) Deed tax

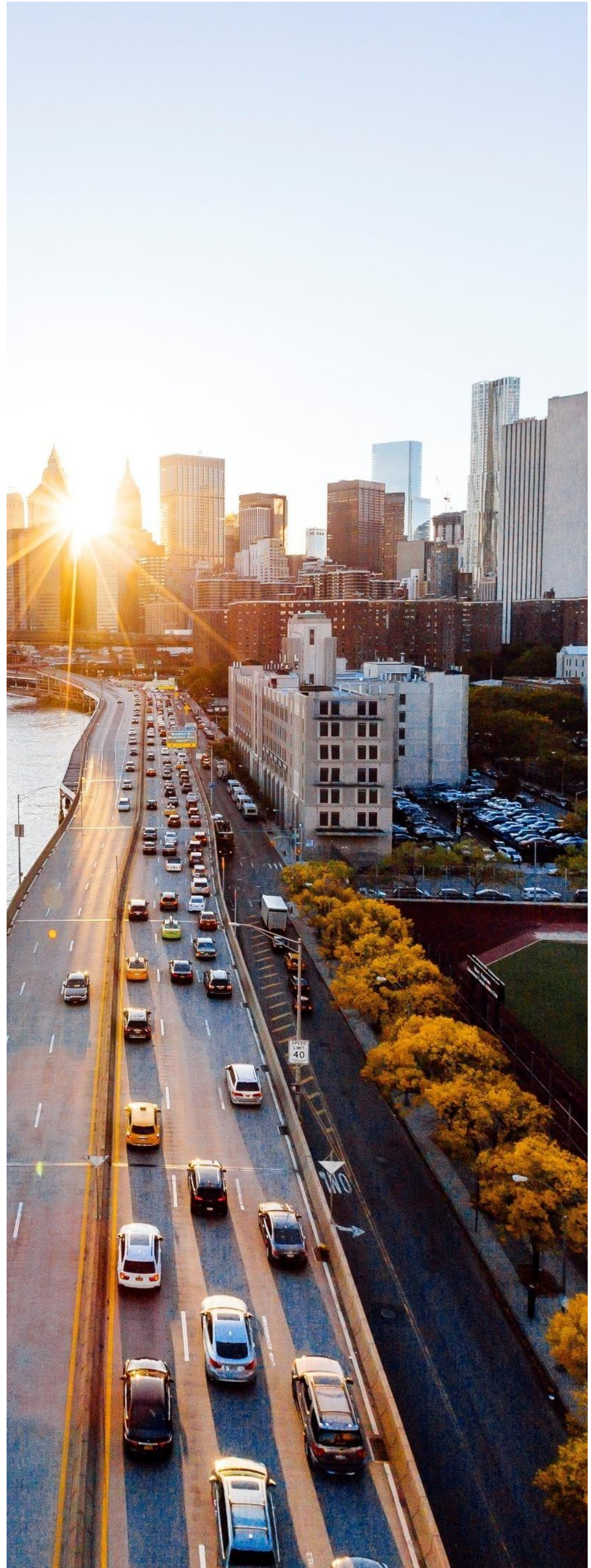
- Yes, applies to the fair market value of the transferred assets as at the date of the gift
- US citizens and resident aliens: tax rate of 40%, with US$10 million gift tax exemption, adjusted annually for inflation. Transfers to a US citizen spouse do not incur gift tax
- Non-resident aliens: Transfers of US situs property (generally real property and tangible property) in excess of gift tax annual exclusion is subject to gift tax. Intangible property, including stocks and bonds, is generally exempt
- Connecticut imposes state-level gift tax at up to 12%

(d) Other tax

- Real estate transfer tax: Individual states, counties and municipalities may impose this on transfers of real property
- Net wealth tax: US federal law does not impose a net wealth tax, but individual localities may impose this on certain real and personal property interests
- Expatriation (exit) tax: Covered expatriates are subjected to immediate taxation on the net unrealized gain on their property exceeding US$600,000 (indexed for inflation)
- Generation-skipping transfer tax: Imposed on all direct transfers to “skip persons” (someone who is 2 or more generations below the transferor, or a trust for which all beneficiaries are skip persons) and on taxable distributions and taxable terminations by trusts that have skip persons as beneficiaries

CRS regime

The US is not a CRS participating jurisdiction.



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