

The LDF - a smart way to become compliant

Under increasing pressure from revenue-hungry governments around the world, the death knell has arguably been sounded for non-tax compliant business. Here, in an exclusive interview, Fritz Kaiser, executive chairman of the investment firm Kaiser Ritter, discusses the progress made by Liechtenstein towards becoming a more open financial centre.

The recent disclosure facility hammered out between Liechtenstein and the UK is a prime example of how private wealth managers can help solve the need for investors to comply with anti-tax evasion rules, rather than be an obstacle to change, a

and a 10 per cent penalty sum.

Importantly, the maximum look-back period is ten years (as opposed to the 20 years otherwise applicable) and other benefits are also available, such as the possible use of a "composite" rate. The composite rate option can

"I am an entrepreneur. We believe that there will be no place in the world where you can hide [money] any more. The Group of 20 countries need the money. What we have to think about is what is the smartest way to become compliant."

leading Liechtenstein-based wealth firm says.

Fritz Kaiser, executive chairman of wealth advisory and investment firm Kaiser Ritter Partner Holding Anstalt, has played an active role in talking with transnational groups, governments and legal experts in making the case for Liechtenstein as an open, rather than secretive, financial centre.

With the advice of noted wealth management expert Philip Marcovici, Kaiser helped persuade the government of the tiny Alpine state to agree to draw up the Liechtenstein Disclosure Facility with the UK government, a facility which has worked well, he told *Offshore Red*.

Major governments, in groups such as the Group of 20 major nations, have been waging an unprecedentedly strong campaign to clamp down on so-called tax havens, even to the point of buying data stolen from private banks. Regardless of the legal niceties, Kaiser argues that private banks must face the new realities.

Under the terms of the LDF, drawn up in 2009, the Liechtenstein Disclosure Facility was introduced by HM Revenue & Customs for UK taxpayers with existing and newly acquired Liechtenstein assets or interests. Such taxpayers can generally disclose any unpaid UK taxes and pay them with interest

provide substantial savings in a variety of circumstances, including where multiple taxes would otherwise apply, such as both inheritance and income tax. The composite rate permits a single rate of tax to apply, much simplifying the calculation and often significantly reducing the cost of voluntary disclosure.

Facing the future

Kaiser said developments such as LDF were benefitting Liechtenstein and driving business to that jurisdiction. "There are undeclared funds all over the world," he said.

"I am an entrepreneur. We believe that there will be no place in the world where you can hide [money] any more. The Group of 20 countries need the money. What we have to think about is what is the smartest way to become compliant," he said.

Kaiser's firm - formed out of a merger in 2006 - traces its origins to 1931. It employs around 240 people in Liechtenstein and Zurich; the group looks after some SFr25 billion of assets under trust of which SFr1.8 billion are at the firm's small private bank. At its IFM fund administration company are around SFr2.5 billion of funds.

Kaiser said firms such as his must recognise that, whether they like or not, the world

of offshore banking has changed dramatically.

"We realised [a few years ago] that the world of non-tax compliant business was coming to an end. We started to address our clients and partners about what the situation was. That was not very popular [in Liechtenstein] at the time," he said.

He said that in 2008, he helped to advise the Alpine jurisdiction's government on how to make changes as a financial centre, later laying out a strategy in that year. Kaiser said he has also forged strong and friendly relations with the Organisation for Economic Co-operation and Development.

This process led to developments such as the LDF, he said. Kaiser said the firm has forged a strong working relationship with tax gathering institutions such as the UK's HMRC and the Internal Revenue Service in the US.

"In 2008, we went to the IRS, saying we should have an opportunity to talk to clients without their having a threat from the IRS to help them with voluntary disclosures," he said.

He described the firm as being a constructive business in helping to drive disclosures, which is ultimately beneficial to all sides.

The nature of the firm

How best to describe Kaiser Ritter? "We are a wealth management group advising high net worth families around the world on how to protect and grow their wealth," he says.

The firm also advises other institutions - such as banks, lawyers and other firms - on issues as tax compliance in wealth management.

As a champion of "responsible investment", a process that goes far beyond simply investing to meet environmental objectives, Kaiser formed, in 2004, a group of individuals, industry figures and commentators called the Private Wealth Council, which meets to address issues such as sustainable investment. He is also involved in driving awareness of such issues at events such as the World Economic Forum in Davos, Switzerland. ■