



**IFF Research**

# Exploration of the Offshore Investment Market

Prepared for HMRC  
By IFF Research

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HM Revenue and Customs Report 420

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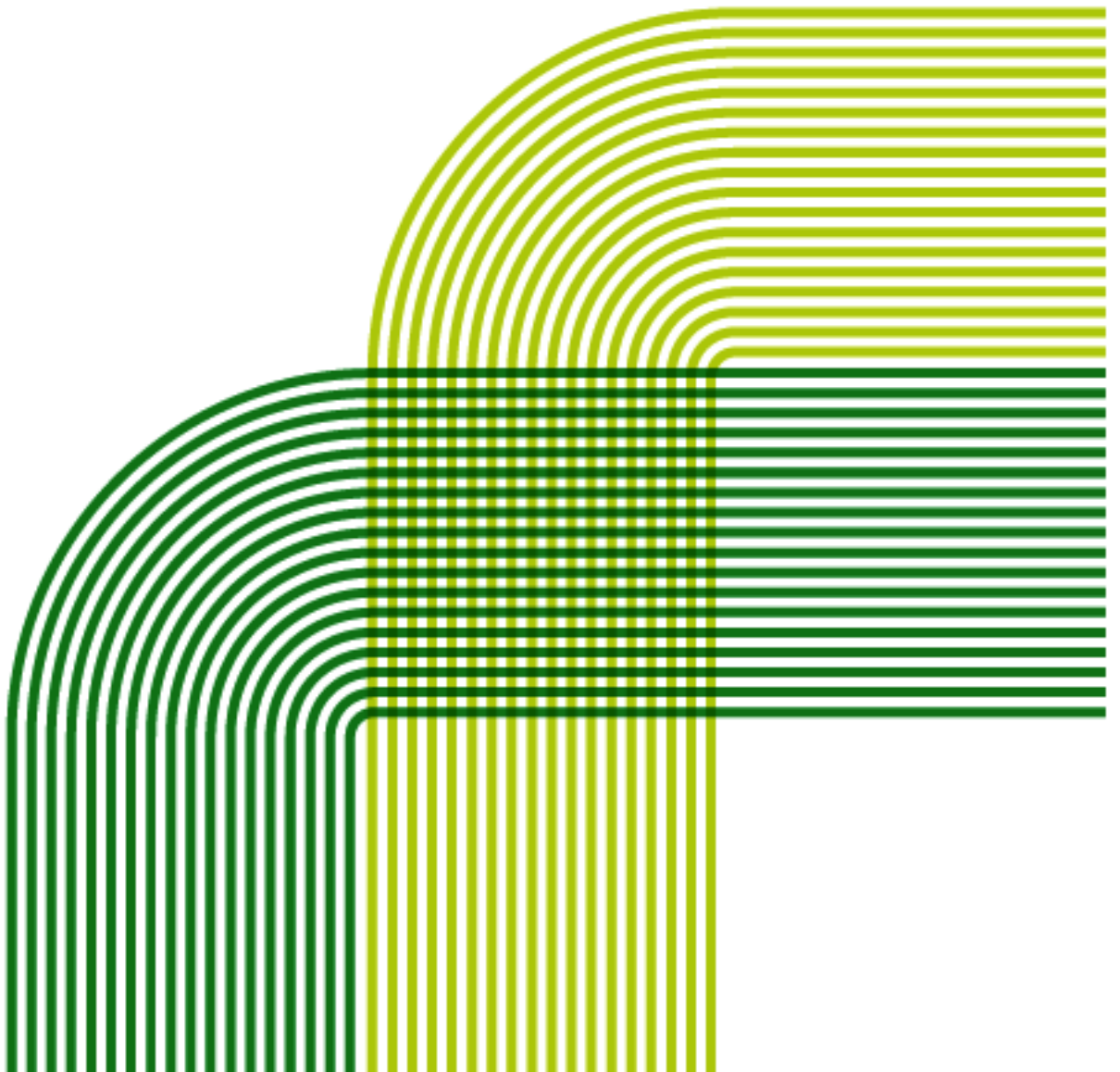
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# 1 Executive Summary

## Introduction

- 1.1 HMRC commissioned research to better understand the operation of the offshore financial advisory market and how and why customers in this market invest in offshore products. To achieve this overarching aim, four specific research objectives were developed:
- To collect views and experiences from financial advisors about the offshore investment market and approaches they use for UK residents;
  - To explore with financial advisors their understanding of their customer base and the genesis and ongoing nature of the advisor/customer relationship;
  - To identify the stages in and influences on the decision making process that financial advisors perceive their customers make around understanding and accessing offshore products; and
  - To identify with financial advisors if, when and where potential tax management issues are raised and if and how these are managed.

## Methodology

- 1.2 A qualitative methodology was used for the research comprising in-depth interviews with representatives of banks, all of which were authorised in the UK. In total 16 interviews were undertaken (13 face-to-face and 3 by telephone). Interviews were undertaken with senior members of staff including Heads of Banks (including Managing Directors), Investment Management or Wealth Planning and Senior Wealth Advisors.

## Key findings

### **Objective 1: Collect views and experiences from financial advisors about the offshore investment marketing and approaches they use for UK residents**

- 1.3 The term “offshore investment market” was considered by representatives of banks to be a very broad term open to different interpretations. That said, where investment outside of the UK occurs, banks generally think of in terms of two broad concepts, “offshore platforms” and “wrapped offshore investments”.
- 1.4 Decisions over why and how to invest offshore tended to be ‘investment led’ first and foremost, offering clients the benefits of diversification, flexibility and mobility. Among UK non-domiciles there were suggestions that seeking a tax advantage was an additional motivating factor – particularly in terms of succession planning and wealth preservation.
- 1.5 Generally, across most banks there was minimal active marketing/targeting of clients. Most client acquisition occurs through referrals, through trusted networks and through a gradual building of relationships.

### **Objective 2: Explore with financial advisors their understanding of their customer base and the genesis and ongoing nature of the advisor/customer relationship**

- 1.6 Clients were primarily segmented by banks through wealth (High Net Worth / Ultra High Net Worth) and by residence/domicile.



- 1.7 Whereas most bank representatives stated that they had higher numbers of UK resident domiciled clients, generally it was felt that proportionately, UK domiciled clients were now becoming increasingly less likely to use offshore investment platforms than UK non-domiciled clients.
- 1.8 Client knowledge of the offshore investment market varied considerably and was generally dependent on their general interest in financial markets and the degree to which they wanted to be personally involved with managing their affairs.

**Objective 3: Identify the stages in and influences on the decision making process that financial advisors perceive their customers make around understanding and accessing offshore products**

- 1.9 There was no “one size fits all” approach to the provision of advice. The advice given was very much driven by clients’ desired outcomes. Whereas clients’ knowledge and engagement with investments varied, clients usually had a good idea of what outcomes they wanted to achieve from the investments. Clients approached banks with these outcomes in mind and banks saw it as their responsibility to provide clients with real-world solutions in order to realise these objectives.
- 1.10 Intermediaries, such as clients’ independent advisors, tax experts and other agents such as accountants and lawyers, were often used by clients and banks had a relationship with both the intermediary and the clients, often working collaboratively with the clients’ team of advisors on dispensing advice.
- 1.11 There was no typical client portfolio. Investment advice and appropriate portfolios generally depended on a number of diverse factors such as tax status, history, background and legacy, desired outcomes and historical financial arrangements.
- 1.12 Banks were clear that they did not discuss “tax driven” products. It was acknowledged this was more likely to have happened in the past but due to regulatory changes, this was something they steered away from. Rather, they stated that most of the advice centred on what they described as “vanilla” products that were “non-aggressive” from a tax perspective.

**Objective 4: Identify with financial advisors if, when and where potential tax management issues are raised and if and how these are managed**

- 1.13 Generally the transparency agenda was welcomed by banks as they stated they were as equally motivated as HMRC to identify any non-compliant behaviour.
- 1.14 Some banks were implementing internal procedures within their wealth management teams to ensure that employees were aware of the legislative changes on transparency – focussing on the impact they would have for banks themselves and for their clients. Representatives of banks also believed it was their duty to make clients aware of the changes but nevertheless stated that the onus was on the clients/intermediaries to ensure they were fully aware of the detail and requirements themselves.
- 1.15 There were some perceptions that HMRC does not fully understand the nature of all products/services/investments within the global investment market and therefore is not always able to fully understand the implications and impact that changes in legislation have. It was felt that in some respects, this can lead to a degree of ambiguity around the regulatory framework and “vague” communication within guidelines.



1.16 To this end, representatives of banks were receptive to the idea of engaging more with HMRC through consultations and working collaboratively with them and industry bodies in order to better understand the markets and the real-world impact of legislative changes.





## 2 Introduction

### Background, aims and objectives

- 2.1 In recent years there has been a growing emphasis in both the corporate and public spheres on the need to reduce tax evasion. Governments worldwide and their respective tax authorities, including the British government and HMRC, consider this to be of critical importance in order to bolster public finances and reinforce the public's confidence in the tax system.
- 2.2 As part of this commitment, the Organisation for Economic Co-operation and Development (OECD) developed the Common Reporting Standards (CRS), which was approved on 15 July 2014. This model was introduced in order to formulate a common global standard for the automatic exchange of financial account information between tax authorities in an attempt to tackle cross-border tax evasion and non-compliance.
- 2.3 As a result of the introduction of CRS and the commitment of over 90 countries to it, HMRC, as of 2017, will begin to receive a large volume of information concerning assets held overseas by UK resident taxpayers. By improving HMRC's understanding of the offshore investment market, the findings of this exploratory piece of research will assist the organisation in dealing with this influx of information and feed into the design of interventions and communications.
- 2.4 In light of this, the overall aim of this piece of research was to better understand the operation of the offshore financial advisory market and how and why customers in this market invest in offshore products. To achieve this overarching aim, four specific research objectives were developed:
  - To collect views and experiences from financial advisors about the offshore investment market and approaches they use for UK residents;
  - To explore with financial advisors their understanding of their customer base and the genesis and ongoing nature of the advisor/customer relationship;
  - To identify the stages in and influences on the decision making process that financial advisors perceive their customers make around understanding and accessing offshore products; and
  - To identify with financial advisors if, when and where potential tax management issues are raised and if and how these are managed.

### Methodology

- 2.5 In order to provide HMRC with a better understanding of how the offshore financial advisory market operates and how and why customers in this market decide to invest in offshore products, in-depth interviews with representatives of banks were conducted.
- 2.6 Due to the exploratory nature of this research it was decided that depth interviews with individuals engaged in the offshore investment industry would be the most suitable research method to adopt, as it would facilitate wide-ranging detailed conversations on the topic and provide scope to probe individuals on their responses.



- 2.7 A sample of UK banks that offer wealth management services was built by IFF and agreed with HMRC using publicly accessible lists compiled by the Bank of England<sup>1</sup>, the Wealth Management Association<sup>2</sup> and the website banking<sup>3</sup>.
- 2.8 The banks identified as relevant to this piece of research were informed of the study via advance letter (see Appendices, Chapter 10), which was sent to the Head of the Bank. In this, they were asked to nominate an appropriate member of the wealth management team to participate in the research. The nominee was then contacted using email and telephone methods in order invite them to participate and schedule a convenient time to conduct the discussion.
- 2.9 In total, 16 qualitative interviews were conducted throughout July to September 2015, involving a total of 28 bank representatives. The average duration of the interviews was 1 hour. Of the 16 interviews completed, 13 were undertaken face-to-face and 3 by telephone. In 10 instances interviews were conducted with a single representative of a bank; 2 interviews were conducted with a pair of representatives; 3 with a triad of representatives; and 1 interview was conducted with a group of five representatives. Representatives were predominately involved in wealth management although in some cases, where more than one respondent was involved in the interview, they were supported by others who had broader responsibilities such as product development, financial planning and front office support.
- 2.10 In-depth interviews were conducted with representatives from a variety of banks that, combined, cover the full spectrum of the industry; from niche UK banks to global establishments with retail operations. Of the 16 banks that participated in the research, 11 operated solely as a bank and 5 had a retail operation as well as a private banking arm. Moreover, 3 operated only in the UK, whilst the remaining 13 had operations in other jurisdictions as well as the UK.
- 2.11 The intention of the research was to hold discussions with Wealth Advisors as these were considered most appropriate in order to aid understanding of market operations and the nature of advice provided to customers from a frontline perspective. However in many cases IFF were referred to individuals in a senior management role with a strategic overview of wealth management practices within the organisation. As a consequence findings do not always provide a frontline perspective on the offshore investment market, but do provide a strategic view point. Senior members of staff involved in the research included Heads of Banks, Investment Management or Wealth Planning and Senior Wealth Advisors.
- 2.12 Interviews were undertaken anonymously and confidentially. No individual, organisation or their individual answers were identified to HMRC and all research procedures adhered to the Market Research Society Code of Conduct and the provisions of the Data Protection Act. Interviews were undertaken through voluntary consent and participants were not incentivised to take part.

<sup>1</sup> <http://www.bankofengland.co.uk/prs/Pages/authorisations/banksbuildingsocietieslist.aspx>

<sup>2</sup> <http://www.thewma.co.uk/about-wma/wma-members/>

<sup>3</sup> <http://www.privatebanking.com/directory/europe-united-kingdom-england-london-london/banks?random=1>



## Analysis approach and interpretation of findings

- 2.13 A systematic approach was taken to the qualitative analysis. All interviews were recorded and transcribed (provided that permission was granted by the respondent). The first step in the analysis was to write up each individual interview to a standardised template organised under a series of key questions or issues which had been developed from the research objectives.
- 2.14 After reading through the first few interview write-ups and discussing findings, the project team drew up a specification, or framework for the analysis, involving identifying a series of themes emerging from the interviews. As individual interview write-ups were completed they were entered into the framework under each theme allowing objective judgements to be made about the commonality of experiences.
- 2.15 This process was conducted on an on-going basis as and when interviews were completed. Analysis and interviews themselves were conducted by multiple researchers to enable sense checks to be made and to mitigate bias.
- 2.16 The framework was structured such that themes or issues could be filtered to ascertain levels of consensus. Thus when discussing strength of themes throughout the report, the analysis was able to identify whether “most” (almost all), “many” (the majority) agreed with the sentiment expressed or whether this was just “several” or “a few” (a substantial minority). Where only one respondent mentioned an issue but felt strongly about an issue, this is also noted in the report.
- 2.17 This report is based on qualitative research, and the findings show the spread of opinions among research participants. The nature of qualitative research means there can often be a wide range of differing views.
- 2.18 While qualitative research will provide rich detail on individual circumstances, the aim of qualitative research is not to extrapolate findings to the wider population. Findings should therefore be interpreted in this context and should not be taken as representative of all banks that offer wealth management services.



### 3 Overview of the Offshore Investment Market

#### Interpretation of the Offshore Investment Market

- 3.1 Despite the term ‘offshore investment’ being widely used in policy and political discourse to describe the investment of capital outside an investor’s jurisdiction of residence, representatives of banks were keen to point out that it is a very broad term open to different interpretations. Indeed, during many of the qualitative interviews conducted with representatives of banks the meaning of the term ‘offshore investment market’ was often queried with the interviewer.

*“What [do you] actually mean by the offshore investment market?”*

**Bank without retail arm**

- 3.2 This was partly to do with the wide variety of offshore investment products offered within the industry but also the way they are structured and the processes by which investments are made and assets are held. Rather than using this umbrella term to capture investments that are either totally offshore or have an offshore element to them, representatives of banks were prone to discussing product classes or specific offshore investment vehicles.
- 3.3 Moreover, discussions with bank representatives found that offshore investments are typically not conceptualised as a stand-alone investment market. Some representatives of banks stated that their establishments do not necessarily think of onshore and offshore investment products as two distinct investment solutions.

*“We have clients globally and therefore we research globally and therefore the funds that we’re offering have a global market”*

**Bank without retail arm**

*“It’s a funny question in a way because most of our investment is offshore... it’s just the way we invest money”*

**Bank without retail arm**

- 3.4 In light of the above, several bank representatives felt that HMRC could facilitate a greater understanding and a better dialogue between themselves and the banking industry by tailoring the language used in communications to make specific reference to offshore investment products.

#### Size of the Offshore Investment Market

- 3.5 Banks were generally unable to provide an indication of the size of the offshore investment market, both in terms of the number of offshore investors and the value of capital invested offshore. An inability to estimate the size of the market was potentially a consequence of bank representatives not defining offshore investments as a distinct market or finite concept.

*“It is pretty difficult to gauge what the market size is ... we are just one centre where this kind of activity can happen.”*

**Bank with retail arm**



## Offshore Investment Products

- 3.6 Bank representatives typically saw offshore investments as being divided into two categories, colloquially referred to by some bank representatives as ‘*offshore-onshore*’ and ‘*offshore-offshore*’.

*“There are two sides to offshore. There is offshore-offshore, so non-UK based which our [non-UK] offering would cover, and then there is UK situs with offshore assets”*

**Bank without retail arm**

### “Offshore-onshore”

- 3.7 The most common forms of offshore-onshore investments cited by bank representatives were offshore bonds (e.g. Insurance Wrappers) and offshore funds (e.g. SICAVs and SICAFs). The term offshore-onshore tended to be attributed to such investments because of the way they are structured; capital is domiciled in offshore jurisdictions (typically Ireland, Luxembourg or the Channel Islands) but is managed onshore on a discretionary basis by banks. Bank representatives identified these types of investment to be the ones most commonly used by UK domiciles.

*“The offshore fund is dominant. UK funds have been shrinking over time and so you know frankly most of those clients hold their assets in funds domiciled outside of the UK”.*

**Bank without retail arm**

*“There weren’t that many people using offshore investment bonds when we started, a lot of the people were using onshore and I think that’s probably changed quite significantly”*

**Bank without retail arm**

The wider changes and trends referred to in the above quote are discussed in the subsequent chapters of this report.

### “Offshore-offshore”

- 3.8 In contrast offshore-offshore investments (also known as offshore platforms) were said to be domiciled and managed by a custodian in a non-UK jurisdiction. The most common varieties of offshore-offshore investment mentioned by the representatives of banks were offshore current accounts and offshore savings accounts. Such vehicles are beneficial for those who are internationally mobile and spend time working at various locations abroad. Those working internationally may work for a year in one country and the next in a different one and may therefore require multi-currency bank accounts and banks that are best placed to meet this need tend to be outside of the UK. Offshore accounts were also likely to be in demand from those who are able to accumulate wealth in other jurisdictions so that it remains untaxable in the UK, for example UK non-domiciles.

*“[UK non-domiciles] want to keep the assets they had before they came to the UK outside of the UK, so they don’t have to pay UK taxes on those. So there’s that whole group of UK resident non-domicile investors who want offshore bank accounts”*

**Bank without retail arm**



## Market trends

- 3.9 The representatives of banks suggested that offshore-onshore investments were the most common products offered in the market at present, overtaking offshore platforms in popularity within the last decade. Offshore-onshore investments were described by several bank representatives as “vanilla” in comparison to offshore platforms due to them being considerably less “tax aggressive”. Such investments were said to have eclipsed offshore platforms due to clients no longer demanding such products and because of a desire amongst banks to improve their reputation and move away from investment products and investors that carry a high risk or could allow them to be interpreted as being involved in “tax schemes”.

*“No one wants to do anything aggressive anymore. We took the decision six years ago, seven years ago, not to be involved in those markets but more importantly to stop referring our clients to firms that do tax schemes.... We still know what those schemes are but we don't do them... we're very conservative and that's what the clients want these days”.*

### **Bank without retail arm**

- 3.10 Several bank representatives claimed that tax aggressive offshore platforms still exist within the offshore investment market, but are not available from their respective organisations.



## 4 Offshore investors

### Profile of Offshore Investors

- 4.1 Discussions with the 16 banks highlighted that the typical offshore investor is of either High Net Worth (HNW) or Ultra-High Net Worth (UHNW). The definition of these terms varied amongst banks in relation to the manner in which they segmented their customer base. Despite some variation in the boundary between HNW and UHNW there was some consistency in the minimum amount of capital required to invest in an offshore product. On average, a minimum of around £1 million was required to invest in an offshore vehicle, with the lowest minimum investment mentioned by bank representatives being £500k and the highest being £5 million.
- 4.2 In terms of domicile status, higher proportions of UK non-domiciles invested offshore, with several representatives of banks stating that it was becoming increasingly rare for UK domiciles to pursue offshore investment. However, in the case of two banks with operations only in the UK, representatives emphasised that they predominantly service UK domiciles with very few dealings with non-domiciled clients.

*“Yes, most of our clients are UK, resident UK domicile; we get a few who are UK resident non-domiciles.”*

**Bank without retail arm**

- 4.3 The knowledge investors had of the offshore investment market and the products within it was highly varied; ranging from novice to an expert level understanding. A number of bank representatives identified investors with the greatest level of knowledge of the offshore investment market to be those that work in financial services, specifically hedge fund managers and investment bankers. Meanwhile, investors that had recently experienced a ‘liquidity event’ e.g. the sale of a business - with little previous experience of financial markets are identified as the offshore investors with the lowest level of knowledge.

*“Hedge fund managers and investment bankers who are very sophisticated financially and they would lead the process a lot more in terms of what they want”*

**Bank without retail arm**

*“And then you get ... the very wealthy, unsophisticated that have had a liquidity event in their commodity business or their textile business and they know nothing about the financial markets or banking”*

**Bank with retail arm**

### Motivations for Investing Offshore

#### UK domiciles

- 4.4 It was stated by most representatives of banks that UK domiciles have little reason to invest in offshore products because there was no significant tax advantage in doing so. According to these representatives, the same rate of tax is paid on an onshore investment product as it is on an offshore investment product. As a consequence UK domiciles were said to be more likely to invest in onshore products rather than offshore products.

*“I think for UK resident domiciled individuals there really aren’t any particular pros. ... there really is no difference to them being booked*





*with Guernsey to being booked with the UK. They get the same service; they pay the same fees; they get the same regulatory protections.”*

**Bank without retail arm**

- 4.5 Although the majority of bank representatives claimed that there was little tax advantage for UK domiciles to invest in an offshore product, it was also felt that that equally, there was no significant disadvantage to investing offshore in terms of taxation and there were in fact other advantages/benefits.
- 4.6 In this context, where UK domiciles do invest capital offshore, bank representatives reported that those that choose to do so were principally motivated by commercial factors rather than tax efficiencies. Specifically, UK domiciles that invest offshore were typically driven by the ability to:
- Diversify investments;
  - Exploit financial flexibility; and
  - Because offshore vehicles are beneficial for internationally mobile individuals.
- 4.7 In terms of diversification, it was explained that investing capital outside of one’s jurisdiction of residence enables UK domiciles to reduce exposure to risk.

*“Most clients would think it sensible and reasonable to have offshore investments from a diversification point of view, so even if they are UK, if they’re wealthy individuals who want a diversified portfolio, going wholly UK would not achieve that”*

**Bank with retail arm**

- 4.8 With regards to financial flexibility, banks explained investing capital offshore provides UK domiciled investors with a greater level of flexibility than available in onshore investments due to less regulatory restrictions in offshore jurisdictions. Moreover, some vehicles (e.g. offshore bonds) offer UK domiciles flexibility by allowing them to defer the payment of tax on investment gains until a time that is convenient.

*“There have been benefits for us moving our clients’ investment structures into an offshore structure versus the UK structure, even for UK res dom individuals... because the taxation is the same for both structures, but there’s greater investment freedom in a Luxembourg one.”*

**Bank without retail arm**

- 4.9 Banks also explained how internationally mobile UK domiciles, i.e. people living or working abroad, were motivated to invest offshore by the fact that such investment products enable them to hold multi-currency accounts and because it minimizes their exposure to UK tax whilst not residing in the UK. In light of this, non-resident UK domiciles appear to be the one group of UK domiciles whom offshore investment can be tax advantageous for.

*“Once you’ve moved out of the UK, having a UK bank account which effectively is UK income, when you’ve really got no UK interest other than the bank account, it makes sense to move it away from the UK and offshore”*

**Bank with retail arm**





## UK Non-Domiciles

- 4.10 A number of banks stated that UK non-domiciled offshore investors were motivated by many of the same reasons as domiciled individuals that invest offshore; offering diversification and financial flexibility because they are often internationally mobile. However, in contrast to UK domiciled investors, UK non-domiciles were said to be often motivated by the need to preserve wealth – i.e. by ensuring they do not pay tax they are not obligated to.

*“[Offshore investment] is very relevant for our UK res non-dom client segment, so for non-domicile clients we would by default use an offshore booking centre for tax reasons”*

**Bank without retail arm**

*“I think if you come then to UK res non-doms, I think there continues to be an attraction for being offshore because of the res non-dom regime and the benefits it entails...for inheritance tax planning purposes.”*

**Bank without retail arm**

- 4.11 Several bank representatives referred to a hypothetical example of a UK non-domiciled individual who is resident in the UK, but keeps wealth accumulated prior to moving to the UK and the income of overseas enterprises offshore. This practice is primarily motivated by a desire to reduce exposure to UK tax, but in many cases it is also partly motivated by a historical connection with a particular offshore jurisdiction.

*“At the moment, with the UK res non-dom rules as they remain, I think it’s absolutely appropriate that if a client moves from India or anywhere in the world and they maintain business outside of the UK and have a UK business... then the separation of their finances between what they earn in the UK and the wealth...that they have elsewhere is appropriate”*

**Bank with retail arm**

- 4.12 Although, at the time of the research (summer 2015) banks acknowledged that there was an advantage for UK non-domiciled investors to keep assets outside of the UK, it was mentioned by one bank representative that this advantage would fade soon. In this case, the changes to the status of UK non-domiciles announced in Summer Budget 2015 were expected to cause many UK non-domiciles to bring their offshore investments onshore as they will become liable to the same tax as UK domiciles.

*“We might see an element of onshoring so basically money is offshore for no reason in the new world of transparency ... I think we might see an increased use of traditional structuring based on domestic locations so typical structuring and financial planning used by pure UK clients might in future be more relevant to an increasing number of [non-dom] clients”*

**Bank without retail arm**



## 5 The Client/Advisor Relationship

### Marketing / targeting of clients and client acquisition

- 5.1 Active marketing and targeting of clients or promotion of banks' services in the traditional sense was not commonplace amongst banks and was only used in a small number of cases. Few banks produced marketing literature regarding their wealth management services or had specific marketing teams, largely because it was felt that there was not a need for this.
- 5.2 Acquisition of clients tended to occur through a gradual building of relationships and through the banks' careful selection processes. Banks believed their reputation to be paramount and as such, there was a general reluctance to "onboard" clients who do not fit with their traditions, ethos and way they liked to operate their business.

*"We are famously discrete. We don't market anywhere. We don't have to beg...They want a long-term relationship with the bank and so they need to share the same sort of ethos."*

#### **Bank without retail arm**

- 5.3 In most cases, client acquisition occurred through introductions and referrals through pre-existing relationships with clients or their personal advisors (such as tax or legal advisors or mortgage brokers). Clients may also approach the banks themselves, having been aware of the bank's "brand", reputation or service. In some instances this can occur because they are unhappy with their existing arrangements or, in the case of UK non-domiciled clients, because their circumstances dictate a need for increased financial management within the UK. In these cases, banks will often seek clear recommendations from contacts within their networks before commencing engagement.
- 5.4 Some banks did claim to market their services or actively target clients and had specific client management or business development teams with these responsibilities. However, approaches used were largely personalised, rather than "mass-market", involving calling or writing to individuals or staging intimate networking events (for example, lunches with existing and new clients or hiring boxes at sporting events). Leads were usually generated through existing relationships with clients or their advisors or identifying individuals experiencing liquidity events.

*"We have a business development team who are proactively contacting individuals looking at market information for example liquidity events. So they will go out and market, call or write to them. Also, it is just down to the individual relationship manager's own network so the more successful they are the more referrals they will get from existing clients."*

#### **Bank with retail arm**

- 5.5 Whereas there was some mention of publicising services through brochures, there was felt to be difficulties inherent in this approach because banks tend to offer services that are tailored and bespoke to individual clients. As such, there was no one "off the shelf" approach that could easily be described or marketed and so for the most part, client acquisition tended to occur through referral.

*"We have a marketing team and publications. We tried advertising on PAGE but that didn't work for our clients. The majority of it is referral either from existing clients or from solicitors; accountants. There's not*



*a lot of walking off the street, our offices aren't shop windows so I would say the vast majority is referral."*

**Bank without retail arm**

*"We do market in a number of ways. We have a number of relationships with the large professional intermediary network in London – we get referrals from tax advisors and we get referrals from our company's global network, if the client is relocating to the UK. We have a business development team who are proactively contacting individuals looking at market information, for example liquidity events."*

**Bank with retail arm**

- 5.6 Once contact has been made and a relationship built, several banks mentioned that clients are generally vetted and taken through the banks' "due diligence" processes. This involves assessing client's background and financial circumstances in relation to how their wealth has been accumulated and an establishment of their tax status.

*"There's a huge due diligence process which both the front office, mid office and the back office, are signing up to. There's a very elaborate process to prepare what you call our source of wealth documentation, as to how somebody has actually made that money, where did he start and so on and so forth. There are detailed procedures. Plus, on an ongoing basis, there is extensive monitoring to be in line with the tax framework."*

**Bank with retail arm**

**Client level of engagement with the bank and knowledge of the offshore investments market**

- 5.7 Banks offered a very personalised, tailored service to their clients and as such, there was no standard approach to how they interacted with them. Level of direct contact varied but as a minimum, banks had personal contact with their clients once a year. This could be much more frequent however, and was largely dictated by the client and dependent on the extent to which clients wanted to be personally involved in the running of their affairs.
- 5.8 Client engagement, interest and knowledge of the investment market also varied. Some clients were very hands on and had frequent contact with their team at the bank. They had a good knowledge of financial markets and investment opportunities because they had an inherent interest in them. At the other end of the scale, there were clients who were disengaged with the process, did not have an interest in how their money was being invested and were happy to leave decisions to a trusted group of advisors. In between these groups were clients who were somewhat interested but did not have a great deal of knowledge or understanding and therefore needed an intermediary to help them translate the more complex concepts.



## Use of intermediaries

- 5.9 Banks often spoke of dealing with intermediaries which were used by their clients. Generally, these were teams of financial, legal or tax advisors, either private consultants or individuals that belonged to large accountancy firms. In addition, a number of banks mentioned that a number of Ultra-High Net Worth clients usually had a “family office”<sup>4</sup> and the bank often dealt with them.
- 5.10 Banks explained that they have this relationship with intermediaries *in addition to*, rather than *in replacement of* the one they have with their client. Banks often spoke about working collaboratively with these advisors in identifying investment opportunities for clients. In addition, because banks were clear that they did not offer advice in relation to tax, they generally would not deal with clients until they were satisfied that they had sought tax advice from an advisor and were clear on their position in relation to this.

**Case study: Variance in client’s knowledge and relationship with intermediaries**

One bank discussed the interaction with intermediaries and how this varied from the way they would communicate with clients. Although the nature of advice would not differ, the tone in which it was delivered did as intermediaries generally had a higher level of financial knowledge and were familiar with the language of the industry. Clients on the other hand had a varying degree of knowledge and discussions were more tailored depending on their level of understanding.

*“I think if it was an intermediary acting instead of a client then I don’t think there would be a difference in the type of advice. There might be a difference in the way we’d communicate it because typically the intermediaries there are the interface because they’re more sophisticated than the client. So, if it’s just a question of explaining why we think a particular investment approach is suitable for a client, if the client is very unsophisticated, we could easily end up explaining that using analogies [...]. Anything that we think will help the client understand a particular issue. Now, we’re clearly not going to do that to a lawyer and an accountant; we’re just going to go straight into what we think of as industry talk, because they’ll understand it. Other than that difference in explanation, I don’t think we’ve got a different approach in terms of how we try to advise them.*

*With clients, we try as much as possible to tailor the advice to the level of understanding. I think probably you’ve got a whole big range of people in the middle who are not financially sophisticated but will understand the financial concepts if you talk to them.*

*And then there are clients who have no interest whatsoever in finance. And that’s where you have to be a bit creative in terms of how you might explain it - going through different scenarios and trying to help them understand. Would you be comfortable if your portfolio was down this much? Almost sort of financial baby talk.*

<sup>4</sup> Family offices are private wealth management advisory firms that serve ultra-high net worth investors. Family offices are different from traditional wealth management shops in that they offer a total outsourced solution to managing the financial and investment side of an affluent individual or family.



*And then equally at the other end of the spectrum we deal with some clients, typically who work in the industry, who are incredibly sophisticated. They want to go straight into risk metrics, statistics and portfolio volatilities and cross-correlations of assets and things like that. You would go in; you would take out a whole load of slides talking about the basics of our investment*

*philosophy, and expect to have some more sophisticated information in there. But broadly people fall into that middle group - intelligent, capable*

*people who, if you explain stuff in the correct way, then they can understand.”*

#### **Bank without retail aim**

### Use of electronic interfaces / fund platforms

- 5.11 Although a few banks did offer support to clients through “execution only” services, self-service was limited across all types of banks. There was however a mixed level of usage of electronic interfaces, which allowed clients to view their accounts and a snapshot of their portfolios and transactions.
- 5.12 Views on the value and future potential of these platforms were mixed. Some were developing their electronic interface offering in response to client demand. For these banks, largely those with a retail arm, it was believed that this was the direction in which the market was moving. They had seen an increased number of clients wanting to have greater interaction with their investments and more involvement in decisions made on their finance. This was particularly felt to be the case for the younger generation who were considered to be more “tech savvy”. In addition, a number of representatives of banks mentioned the potential for offering a service that allows clients to make their own investments with “dabble” money that sits alongside their main services.

*“We are doing some research on that at the moment. Sometimes a client might want a million to play with. Well not to play with but to make their own decisions with it. Maybe if we give them a platform to use then they might use that alongside some other services. So put a bit aside to do themselves and do analysis and everything else.”*

#### **Bank with retail arm**

- 5.13 However, in other cases, representatives of banks were sceptical about the usage of platforms and there was some resistance to this development (particularly amongst the more traditional, less commercialised banks). Firstly, there had been little demand for them. Clients were felt to largely use private banks or wealth management services because they wanted a personalised, bespoke service and a close relationship with advisors whom they trusted to carry out their affairs. Indeed, some felt that a lot of their clients simply did not have the time to be regularly checking their finances or micro-managing their portfolios. Furthermore, it was felt that given a lot of investments were long-term, and then there was little value in monitoring them regularly.
- 5.14 Some representatives of banks went further to say that self-service platforms were potentially worrying. There was a concern that platforms would not be able to adequately cope with the complication of tax rules and diversity of client’s portfolios. It was felt that it would not be possible to develop an automated platform that would deal with affairs safely, ensure that



clients remained compliant or identify potential areas of risk where they might become non-compliant.

*“If you want to do this stuff yourself, you probably don’t want to be in the private bank. We are providing a bespoke service for a small number of high net worth clients.”*

**Bank without retail arm**

*“[Redacted] is a low cost platform where people can do their own investments. They said ‘we can write an algorithm to say what happens if I am a foreign national coming to the UK’ but tax rules don’t work like that. It depends on how you have broken down your residency over there, how long you have been here for, where your family is, what you have in your portfolio and that’s impossible.”*

**Bank with retail arm**

**Common misperception amongst clients about the offshore investment market**

- 5.15 Representatives of banks stated that a relatively common historic misperception existed that if money was kept abroad then it was not necessary to pay tax on it. This perception was thought to be decreasing but there was still felt to be a lack of understanding amongst clients over the implications of having money in different jurisdictions. This, in itself, could still cause confusion of where and when tax needs to be paid. Representatives of banks explained this is not something they could advise on. Their expectations would be that advice of these issues would be sought from the client’s own tax advisors who have this specific knowledge.
- 5.16 Representatives of banks stated that if anything, clients were becoming more wary about “offshore” considerations whereas, from an investment perspective, they can be a viable, legitimate and advantageous option, particularly for UK non-domiciled residents. For various reasons, representatives of banks claimed that clients were becoming increasingly wary when the term “offshore” is mentioned. This was thought to be largely driven by increased sanctions or penalties imposed for tax avoidance or evasion, increased legislation, media scandals and the perceived ‘demonisation’ of individuals who have been revealed as evading tax. Some representatives of banks felt that currently, the political approach and language regarding the issue can be relatively blinkered and reductionist. It was felt there was a tendency to blur the lines between individuals that are looking to maximise their tax advantage in lawful ways and those intentionally seeking to avoid paying tax.

*“When you mention the word “offshore” some are scared despite the fact it might not be a bad starting point. Having read the various press etc. they have been frightened where there can be occasions where a structure with offshore in its name could still be the appropriate [for them].”*

**Bank without retail arm**

- 5.17 Some representatives of banks felt that these attitudes were unhelpful and could be limiting to clients. It was thought that whereas the default political perspective is that individuals are using certain investment structures to avoid tax, there are other completely legitimate reasons for doing so, for instance, to safeguard their wealth and ensuring that it does not “fall into the wrong hands”. For example, one bank discussed the use of trusts as a way of protecting assets which are advantageous to the individual but viewed negatively from an HMRC perspective.





*“In terms of protection - HMRC’s views of trusts is that people only ever use a trust to avoid tax. In reality, they are more worried who is going to run off with the house. It’s about protecting family assets which is why trusts came in centuries ago.”*

**Bank with retail arm**



## 6 Nature of the advice provided by advisors regarding offshore investment

### Structure of advice

- 6.1 Representatives of banks consistently stated that they do not structure their advice around choosing to invest “offshore” or “onshore” but rather investments were chosen based around achieving the best outcome for individuals depending on the client’s circumstances.

*“They come to us saying “I want advice”. We then understand their situation and objectives and we would tell them if they need offshore or onshore. It is not a case of people coming in and saying “I need to get assets offshore. What are the options?”*

**Bank without retail arm**

- 6.2 This was the case for both UK domiciled and UK non-domiciled clients. The nature of discussions with clients were generally around wealth preservation and protection, rather than identifying ways to make a “quick buck” by investing in risky, or illegitimate structures. While tax is a consideration for clients, the perspective was one of wanting to avoid paying more than they are obligated to, rather than attempting to avoid it all together.

*“Most people are not avid tax avoiders and fully get the point that in a civilized society, you have to pay tax.”*

**Bank with retail arm**

- 6.3 Regardless of knowledge or level of engagement in the offshore investment, representatives of banks claimed their clients did generally know what they wanted in terms of outcomes and stated that it was the banks’ role to translate these into a real-world, plausible investment offering. Commonly, this centred on succession planning and managing tax outlays inherent with this.

*“[Advice sought] is usually either one or a combination of inheritance tax mitigation which they absolutely hate, and linked in with that really is succession planning, how they pass it through the generations and at the same time protect it from what those future generations might do. It’s a big area which we advise on because it’s linked to investment obviously. The other is to mitigate the tax bill without it being aggressive. They’re all scared of the revenue knocking on the door and quite rightly.”*

**Bank without retail arm**

*“Aspirations are what they are looking for. Are they looking for creating a pension pot for the family? Are they looking for just capital growth or an income orientated portfolio?”*

**Bank without retail arm**





- 6.4 How these outcomes are achieved, however, varied widely from client to client. As client circumstances and options within the global investment are extremely diverse, there was no typical portfolio and advice will be structured around a number of considerations such as:
- Tax status of the client;
  - Client background, history and legacy;
  - Historical financial arrangements;
  - How international or global the client is;
    - For example, how much do they “move around”? Do they spend a substantial amount of time in other jurisdictions;
  - How and when wealth has been accumulated;
  - What is the interplay like between the various jurisdictions and how will finances or investment be handled across them; and
  - What clients’ aspirations or desired investment outcomes are.
- 6.5 Underpinning all of these considerations was the client’s desire to achieve the best investment outcome and having the best, most knowledgeable people managing their accounts and investments, regardless of where they are situated.

*“We don’t go to people and say we’ve got a great offering. People come to us firstly and then we say we need to understand your circumstances. So that is always our starting point, let’s understand what your circumstances are because until we know that you don’t know what the solution will be.”*

**Bank without retail arm**

- 6.6 Some representatives of banks mentioned that portfolios were largely structured around level of affluence of the client and the level of risk that they want to take with their investments. One bank representative specifically stated their client profile (and therefore the nature of the advice they give) was based around aspirations, liquidity, income, existing investments, future plans and risk tolerance.
- 6.7 Banks generally stated that they no longer advise on “tax driven” products and that there is a desire amongst clients and the banks themselves to stay away from “high risk” or aggressive tax-based investment. Representatives of banks commonly stated that they interpret the market in a conservative fashion both in terms of tax and the regulatory regime to avoid making mistakes and slipping into behaviour that could be interpreted as “non-compliant”.

*“We used to offer quite tax driven products and we don’t do that anymore. We vet anything that might be tax driven or have a tax type element before we agree to take it on.”*

**Bank with retail arm**



- 6.8 As such, several bank representatives used phrases such as “vanilla” or “benign” to describe the types of investment they would typically advise on. Some banks even stated that if clients insisted on more risky or “aggressive” investments in their portfolio, banks would ultimately refuse to service them. Banks had a strong objective not to allow their reputation to be tarnished and thus are keen to avoid being associated with unscrupulous activity. Some therefore reported turning clients away if they were adamant they wanted to engage in riskier investments as servicing this kind of clientele was not seen as good for the bank from a commercial perspective.

*“We give advice, so we tell clients what we think they should do. If they don’t want to do that, then they become an insisting client and we don’t generally like insisting clients. So, it’s an important thing is us to challenge them when we don’t think what they necessarily think is the right thing. They might come in with some preconceived ideas; it’s down to us to be able to actually discuss with them their goals and then put in place the right planning around that. And if they’re saying if you’ve gone through that whole process and they want to do something different, well, clearly something’s not matching up”*

**Bank with retail arm**

### Specific products discussed

- 6.9 Bank representatives were clear that their role is to advise on and “facilitate” products, which were not usually their own. They generally talked about clients having “different pots” in various jurisdictions and it was not uncommon for both UK domiciled and UK non-domiciled clients to deal with more than one bank. As discussed in chapter 3, this is largely so they are able to diversify their investments, reducing associated risk but also to access different knowledge pools on where investment should be made.

### Advantages of asset distribution

One bank representative gave an example of a relationship with a client whose investments they helped manage and the strategic approach they have to distributing their assets. The client had a number of investment managers but one “overseer of assets”. As such, the bank managed one of the clients’ portfolios but the client has also appointed an equity manager in Switzerland who had a different approach to the way the bank manages assets.

*He [the Swiss equity manager] counterbalances our approach. He has a very different style that offsets the way we manage money and helps him create an overall balanced approach to managing the client’s assets. So he is guiding them to do that because he think it is a sensible way of distributing their assets. The client hasn’t got all their eggs in one basket. And that manager happens to be in Switzerland.*



## 6.10 Other commonly discussed products included:

- Offshore bonds;
- Enterprise Investment Schemes;
- Cash, segregation of cash, segregation of portfolios;
- Booking assets offshore without the use of a wrapper (not exclusively but often for UK non-doms);
- Euro bonds – which might be issued by a UK company but via a European clearing house.

6.11 Whereas product selection was based largely on investment value, there was still a desire to seek products that are “sensible” from a tax perspective. For UK domiciled clients, a number of banks suggested that it is fairly irrelevant as to whether these products were on or offshore. Indeed representatives of banks stated that if investments or structures were right for the client and did not create a situation where clients were paying more tax than they needed to be, then arrangements can be made equally well offshore as well as on.

6.12 Further, some banks stated that there were a number of reasons why it was disadvantageous for UK resident domiciled clients to consider offshore options. This largely revolved around the complexity of the market and the need to understand, from a tax perspective, the interplay of the different investments across various jurisdictions. It was felt to be disadvantageous for tax to lead the investment side as this could ultimately prove costly to the client. Tax advisors in each jurisdiction where investments are made need to be consulted to ensure compliance is not affected and this incurs expensive fees. In this respect, it was felt it can be simpler for UK domiciled clients to keep investments onshore (although banks acknowledged that this can limit investment opportunities for the end client).

*“You almost get a reverse tax position where people say I would rather have it onshore because it is simpler but I need to be offshore to get the right investment. It's the reverse to keeping it offshore for tax benefits.”*

**Bank with retail arm**

### Difficulties experienced by advisors and clients in relation to offshore investment

6.13 Bank representatives stated that they only serviced clients who were demonstrably compliant with regards to tax. Indeed, they believed that their clients sought to be compliant but mentioned a number of reasons where difficulties could be experienced and that it was generally a lack of understanding of some of the rules that could lead to unintentional non-compliant behaviour. These issues are explored in more detail below.

#### Ambiguities regarding definition of residency status

6.14 A number of bank representatives mentioned that the definition of “resident” was vague in the legislation and not particularly definitive. Although one bank believed there had been efforts to simplify the definition, it was still felt to be confusing to clients, particularly as their situations can be extremely diverse. Some clients experience issues because they are unsure of how to answer some of the questions on the statutory residency status test and some reach a position where they are considered a resident before they intended to be.



*“Just the flippant use of the word “residence”. It has always been the case that we say “get your accountant to look at it because it is too difficult to work out.” There is now a matrix so it is easier than it was but I wouldn’t say it was straightforward.”*

**Bank without retail arm**

One Senior Wealth Structuring Advisor stated that a key part of their role was helping clients understand what it means to have assets offshore. As a part of this, they provide information, particularly to UK non-domiciled clients about their residency status, inform them that they need to take a statutory residency test and provide a link to the HMRC guidance. They believed that issues occur because clients often do not understand the rules or know what questions to ask regarding their status or indeed, where to go to get information that will help clarify their circumstances. Clients can also be unaware that they can be considered a tax resident in more than one jurisdiction.

*“People have problems because they don’t understand the questions to ask regarding their status so it is my job to help them. We don’t want any non-compliant clients and it is very easy for things to go wrong if people don’t understand where to go. They can think “I am registered in my homeland” and that is fine but it might mean that just because you are a tax resident there, doesn’t mean you are not also a tax resident here.”*

**Bank with retail arm**

#### Complications caused by Excess Reportable Income

- 6.15 One bank representative described how the excess reportable income requirements do not align well with a funds-based approach to investment. On average, they stated that those clients, who use a funds-based approach, will have up to 60% of their investments domiciled outside of the UK. The bank explained that funds can report tax information up to 6 months after the distribution date meaning that clients have to wait a long period of time before being able to complete their tax returns. In addition, the bank believed that these requirements have created scope for potential double-taxation.

*“It is quite difficult to get under the bonnet with this. For example, you are taxed on income that has not been distributed within an accounting period, say 31<sup>st</sup> March. Tax on that, this excess reportable income and distributed income, you are also taxed on any distributions that you actually receive. It is possible that you have excess reportable income that you were taxed on because it wasn’t distributed at the Year End and then that is subsequently distributed and you are taxed on the distribution. We have worked very hard to find the answer and it has been a struggle.”*

**Bank without retail arm**

- 6.16 This bank representative believed that clients found this scenario extremely difficult to understand. Even those with expert advisors found the concept complicated. The bank representative believed that the potentially “unadvised market” may not be declaring it on their tax return because of their lack of awareness of it.



## Reporting issues

- 6.17 A number of representatives of banks discussed the complexities of clients having investments across multiple jurisdictions and considerations need to be made when several jurisdictions are involved in one portfolio. It was felt that there is a need to capture information from all of them and there can be misalignment across the different methods for reporting which can lead to jurisdictions making reporting mistakes. In addition, it was felt that there can be a lack of clarity in terms of how certain aspects should be reported and this was thought to be exacerbated by the fact that “the rules” change so frequently.

### Anticipated difficulties caused by the impact of FATCA and the introduction of the Common Reporting Standard

One bank representative discussed the complications surrounding tax reporting with the introduction of FATCA and Common Reporting Standard for their clients and the reliance on the accuracy of reporting by the authorities within the jurisdictions. Due to the way in which the bank operates, all their clients have their banking relationships with the company’s offshore bank, including their UK resident domiciled clients. In effect, there is no difference to clients being booked with their offshore bank to being booked within the UK. Although service, fees and regulatory framework and protections are all the same, because they are booked offshore, the bank has to report to HMRC via the jurisdiction authority the amount clients have in their portfolio. Whereas the bank representative did not believe this was an issue for clients in terms of their tax compliance, they are concerned about the jurisdiction making mistakes, leading to HMRC wrongly chasing individuals about undeclared income.

*The tax authorities constantly screw up the reporting they do and HMRC don't understand the reporting they get. We had this exact example with the EU savings directive where we had to do this same kind of thing. We make a report to the tax authorities; they pass it on to HMRC. The authorities told us to make it without any decimal points in, and then they forgot to put the decimal points in before they passed it to HMRC. This triggered HMRC to send a whole series of threatening letters to clients saying our client, saying ‘we know about your bank account which you haven't told us about’.*

**Bank without retail arm**

### Lack of understanding of certain structures and investment

- 6.18 The offshore investment market is so complex that some representatives of banks suggested that certain aspects are not properly understood by HMRC. As such, it was believed that this can lead to a lack of clarity from HMRC on their position on certain investments as they either do not understand how certain products, structures and funds operate or are simply not aware of them. Global securities, bearer bonds and unregistered debt security were all given as examples where the guidance on them is not particularly clear.

*“My view is that HMRC are not really aware of the existence of a lot of these things or the underlying legal structures to them so they have not formed a view”*

**Bank without retail arm**



### Lack of client comprehension around certain rules

- 6.19 Several bank representatives believed that UK non-domiciled clients were not clear on the remittance concept, that this was vaguely laid out in the legislation and there is often a misunderstanding of whether it needs to be or is advantageous for it to be paid or not. In addition, it was felt that legislation can be difficult to understand around for example, UK situs assets, speciality debts and corporate bonds.

*“I think in some ways, in principle [the remittance concept] is fine. If you’re sending your money to the UK or you’re using it in the UK, then it’s remittance. But then for example, we have had this specific problem with offshore funds, say a Cayman fund that is denominated in sterling and uses, as its bank, a UK bank. For investment management purposes it’s an offshore asset, so the Cayman fund itself is a non-UK situs asset. But to subscribe to that Cayman fund you need to send money to a UK bank. So, although as soon as the money is within the fund, it’s a non-UK situs asset because the process of subscribing to the fund involves sending money to a UK bank, which, according to the legislation, depending on how you read it, is sending money to the UK.”*

**Bank without retail arm**

### Mistakes made by or lack of understanding of overseas investment houses

- 6.20 Representatives of banks described how investment houses themselves can cause clients and the banks problems as often transactions they make can be beyond wealth manager’s control. Discretionary managers can be given a mandate or a target to meet in which they have to generate a certain amount of income. One bank representative mentioned that this can lead to them looking at investment lists not necessarily with a “tax head” on, especially given that they are not experts on this issue. Investment houses may not understand the implications in relation to the clients’ tax compliancy of where they move money and one bank mentioned that this can lead to mistakes being made, notably in relation to the separation of capital and income.

*“I have seen the case where US providers have set an offshore investment and they then have generated an income or gain and have been told to send it to particular accounts with us. They have misunderstood what income and capital is and what a gain is and have sent everything to one account. So sometimes offshore investments can cause UK resident clients more problems.”*

**Bank without retail arm**

- 6.21 A number of bank representatives believed that some of these issues could be more effectively mitigated and/or resolved by closer working and improved consultation between HMRC and the industry.





## 7 The reported influence of HMRC and changing legislation on offshore investment

### Views on the transparency agenda and impact of HMRC campaigns

- 7.1 As a concept, the transparency agenda was generally appreciated by bank representatives who felt they and their clients have “nothing to hide”. Some mentioned that an increase in transparency naturally aligned with their traditional practices or that these processes were something that had been increasing steadily since the 1990’s and thus are not particularly new.

*“It is not an awkward subject for the bank because we are not targeting the non-compliant person and saying “come and hide your money”. If there is a problem, we like to flush it out as well.”*

**Bank without retail arm**

- 7.2 Much of the discussion in relation to changes in process focused on the impact of FATCA and the CRS. Bank representatives had generally begun a process of awareness raising within their organisations and the implications these developments will have on their policies, procedures and general operations and felt they had a duty to notify clients of the changes. Representatives of banks reported a mixed awareness amongst clients. Whereas clients did generally know that they will be penalised for non-compliance, knowledge of the detail varied. Some mentioned that those with good advisors and/or have been through disclosure regimes had good knowledge. Although banks were notifying clients that the regulatory framework was changing, this did not change the nature of the advice they were offering clients.
- 7.3 Banks mentioned that where clients were concerned, it was not due to fear of being found to be engaging in non-compliant behaviour, rather worries of them accidentally recording inaccurate information and issues around personal and data security.
- 7.4 Whereas the transparency agenda was welcomed, a number of bank representatives were concerned that in some respects, some of the recent legislation had been over-complicated. It was believed that many of the difficulties faced were exacerbated by constant changes to legislation which were felt to have been brought in too quickly before proper consultation had occurred. There was a sense that HMRC do not always properly understand the implications of changing the rules and that there is often a gap between the legislation being implemented and the impact of this legislation being identified or felt. Bank representatives mentioned this can lead to “unintended consequences” occurring and in some ways, this impact was difficult to predict as it is felt that there are only a few experts worldwide that really understand the global picture and the potential aftermath such changes can create.

*“I think there are always unintended consequences of any legislation, and I think tax legislation is probably one of the most difficult areas for the unintended consequences because no one really understands the whole piece except a couple of people.”*

**Bank without retail arm**



## Impact of the transparency agenda and changing legislation

- 7.5 Representatives of banks consistently reported that they had a low risk approach to advice in terms of tax compliance and did not support the use of tax driven products. For some, this was tradition and for others this had been a change in approach. Representatives of banks that had changed their approach had done so for several reasons.
- 7.6 HMRC campaigns were seen to be a key driver but this was not the only influence. Banks mentioned that the nature of the market had been changing over the last couple of decades and had in general been evolving into a more transparent environment on a global scale. A number of bank representatives discussed the tightening of EU and international regulations as also being influential in these developments, implemented following a number of banking crises or scandals in recent years (for example, revelations in the Swiss banking industry and circumstances in Iceland).
- 7.7 The credit crisis was additionally felt to have had an impact, with one bank representative stating that since then the market has become increasingly “morally driven”. Within this framework, banks have had a strong desire and incentive to preserve their reputation and as such, tax compliance has become increasingly important.
- 7.8 One bank representative stated that tax compliance considerations were as important as money laundering in the current environment, partly due to the regulatory demands by law and the fact that the two are closely interlinked.

*“Tax compliance is related to money laundering because you can ask “How will a terrorist get his funds?” Yes, through money laundering but that money will have avoided tax in the first place because if there is tax paid nobody would siphon that money off to fight a war somewhere. It all fits in.”*

**Bank without a retail arm**

- 7.9 Against this backdrop, several bank representatives mentioned that the UK as a jurisdiction currently has an extremely good banking reputation given that it is highly regulated and it is for this reason that there has been an increase in UK non-domiciles and UK non-residents seeking UK based fund managers and acquiring UK banks as custodians.

*“The UK is regarded as a much more highly regulated jurisdiction than other jurisdictions – European for example. The legal backdrop in UK is very strong and safe. The UK is doing really well if you compare it with Germany, Switzerland, Singapore and the US. For UK non-domiciled clients, they often look for one point of contact for their UK based affairs as well as their offshore investments.”*

**Bank without a retail arm**





## Improving relations between HMRC and the Industry

- 7.10 Representatives of banks were generally receptive to engaging at a greater level with HMRC and for HMRC to understand issues the industry faces. It was felt that difficulties faced by banks and clients in terms of ensuring compliance and understanding of the regulations could be alleviated more effectively through a number of ways such as increased or more effective consultations and HMRC working more closely with the industry to have a better understanding or focus on the implications of the changes in legislation being implemented.
- 7.11 Some representatives of banks had been involved in previous consultations with HMRC and these were seen to be a useful process. However it was felt that it was actually the Financial Conduct Authority taking up the mantle and leading the discussions and this was welcomed. This was occurring in a number of different ways such as issuing bulletins and guidance, organising professional conferences with industry stakeholders and practitioner forums and seminars. Conferences and seminars were thought to be particularly useful as they provided an opportunity to discuss real-life examples of industry issues, potential pitfalls and challenges with specific pieces of legislation, ensuring correct facts and implications are circulated and myths dispelled.

*“With the FCA, we are getting very senior members who are giving seminars for advisors and that goes down very well indeed. If the regulatory body doesn’t really tell you what it means it is left to senior and accountant firms to interpret and then that goes to smaller firms and by the time it gets to the practitioner, the danger is the old Chinese whispers scenario.”*

### **Bank without retail arm**

- 7.12 There was a sense among some banks that HMRC should be more receptive to working with the industry and more open to helping them resolve issues when apparent incidences of non-compliance occur. One bank representative felt that there is a reluctance to engage with the banks when HMRC identifies what they believe to be incidences of non-compliance. If there was a greater willingness to engage with banks, this would help HMRC have a better understanding of the market itself and how it operated and also help the bank understand the root of the issue, which they believed was usually caused by innocent error.

*“I have a huge concern on behalf of all our clients that when the common reporting standard, the UK FATCA and income reporting standard reporting starts happening, HMRC are just going to be cluelessly sending letters out left, right and centre to anyone they can find accusing them of tax evasion, without any real understanding of what the financial situation is of these people, without really comparing the data they get to the tax returns that had been previously filed. And mostly sent by people who don’t understand the offshore investment market or why you would have these structures, why you would have your money custodied in that way and therefore can’t really even engage in a sensible discussion with clients about what’s happened.”*

### **Bank with retail arm**



- 7.13 A number of bank representatives also believed that greater collaboration between the industry, HMRC and professional bodies such as the Society of Trusts and Estate Practitioners (STEP) and the FCA would give everybody a better all-round understanding of the impact of changing legislation and ability to iron out some of the issues faced.
- 7.14 Furthermore it was mentioned by some that Independent Financial Advisors (IFAs) should be under increased scrutiny regarding advice they provide regarding offshore investment. It was believed by some bank representatives that smaller, unregulated IFAs were the main source advising on aggressive tax structures and a greater collaborative approach would help the areas where the unscrupulous activity is occurring.



## 8 Summary of trends across the market

8.1 Through the discussions with representatives of banks it was clear there are had been a number of ways in which the offshore market had evolved over the past 5-10 years. The key themes have been summarised in the table below.

Theme	5-10 years ago	2015 and beyond
<b>Client - perceptions</b>	<p>Less likely to question/have concerns about the term “offshore”</p> <p>Common misperception – if offshore don’t need to pay tax</p>	<p>Becoming increasingly “conservative” and wary. Political discourse and media playing a big role in this.</p> <p>Misperceptions about tax are decreasing</p> <p>In some respects banks find this frustrating as it means people may rule out a product which is in their best interests.</p>
<b>Client profiles</b>	<p>Generally more mixed in terms of non-domiciled and domiciled clients investing offshore</p>	<p>In general UK Domiciled clients are less likely to invest offshore than they were historically.</p> <p>Domicile legislation and the rules around status was identified as being a complex area and banks had mixed views regarding the future trends where non-doms were concerned and the impact on the offshore investment market.</p>
<b>Advice/products offered</b>	<p>Generally felt that products offered were more “tax aggressive”.</p> <p>More likely to be “offshore-offshore”.</p>	<p>Advice/offered acknowledged to be more “vanilla” in with that offered in the past. Banks explained advice “less tax driven” than it used to be</p> <p>Changes driven by the client demand – as described above – and recognition that banks need to keep their reputation intact. HMRC campaigns and global economic events have also directly influenced the approach for some banks</p> <p>Some banks imply more aggressive advice/products still offered but more likely to be through IFAs than banks</p>
<b>Service levels</b>	<p>No or little electronic service offering</p>	<p>This is still the case with many banks not feeling this is an appropriate way of engaging with clients</p> <p>That said among banks with a retail arm – it is felt they will develop electric platforms/service offerings</p>



## 9 Glossary

Term	Definition
<b>A bank with a retail arm</b>	<b>A bank with a retail arm</b> is one which provides retail banking services in addition to private banking services.
<b>A bank without a retail arm</b>	<b>A bank without a retail arm</b> is one which provides only private banking services, without retail banking services.
<b>Bearer bond</b>	<b>A bearer bond</b> is a variety of a bond; a debt obligation issued by an entity to raise money. The difference with bearer bonds is that they exist in certificate form and are deemed to be owned by anyone who has physical possession of the bond.
<b>Bonds</b>	<b>Bonds</b> are debt obligations issued by entities (i.e. companies, banks and governments) to raise money. Bonds state when a loan must be repaid and what interest the borrower (issuer) must pay to the holder.
<b>Collateralized Debt Obligations</b>	<b>Collateralized Debt Obligations (CDO)</b> are financial structures that group individual loans, bonds or other assets in a portfolio, which can then be traded.
<b>Common Reporting Standard (CRS)</b>	<b>Common Reporting Standard (CRS)</b> was approved by the Organisation for Economic Co-operation and Development (OECD) 15 July 2014. This standard forms part of drive towards greater tax transparency worldwide, calling on tax authorities to adopt a common global standard for the automatic exchange of financial account information. The first exchanges of information are due to occur in September 2017.
<b>Funds</b>	<b>Funds</b> gather capital from a number of investors to create a pool of money that is then re-invested into stocks, bonds and other assets. There are two basic kinds of funds: open-ended (also called mutual funds or unit trusts) and closed-end (also called investment trusts)
<b>OEIC</b>	<b>OEIC</b> stands for an Open Ended Investment Company. An OEIC is a collective investment vehicle established in company form and domiciled in the UK. An OEIC can be established as an umbrella company with a number of sub-funds or can act as a stand-alone fund. A defining characteristic of an OEIC is that capital is variable, and so the overall fund size will grow and shrink as investors buy and sell shares, which can be carried out without notification or publication. In light of this, the capital of an OEIC is always equal to its net assets. An independent depositary is responsible for the custody of an OEIC's assets and overseeing the Authorised Corporate Director (ACD), who manages the day-to-day operation of the vehicle. An OEIC is regulated by the UK Financial Conduct Authority (FCA). In terms of taxation, OEIC income, net of expenses, are subject to UK corporation tax. OEICs are not subject to capital gains tax.



<b>Portfolio</b>	<b>Portfolio</b> is a collection of investments that can include any asset type.
<b>Remittance basis</b>	Generally speaking, the <b>remittance basis</b> allows UK resident non-domiciles the ability to pay only UK tax on their overseas income and gains that they 'remit' into the UK.
<b>Securities</b>	<b>Securities</b> are contracts that can be assigned a value and traded. Securities can evidence the ownership of equities (stocks) or debt obligations (bonds).
<b>SICAF</b>	<b>SICAF</b> stands for a Société d'Investissement À Capital Fixe (Investment Company with fixed capital). A SICAF may be either open-ended or closed-ended. Changes to a SICAF's share capital require notarization and publication, with an increase in share capital having to be agreed by a general meeting of shareholders. Beyond the different nature of share capital, SICAFs are organised and regulated in the same way as SICAVs and are subject to the same taxation.
<b>SICAV</b>	<b>SICAV</b> stands for Société d'Investissement à Capital Variable (Investment Company with variable capital). A SICAV is a type of Open Ended Investment Company (OEIC) domiciled in Luxembourg. As with other OEICs, SICAVs can be organised as a stand-alone investment fund or as an umbrella company with a number of sub-funds. Moreover, there are no formalities required for increases or decreases in share capital. However, unlike a UK domiciled OEIC, a SICAV does not typically have an ACF; instead a SICAV is usually managed by a board of directors who oversee a Luxembourg based custodian that is responsible for the custody of fund assets. SICAVs are regulated by the Luxembourg Commission Service du Secteur Financier (CSSF). In terms of tax, SICAVs are exempt from Luxembourg income, capital gains and withholding tax, but are subject to Luxembourg commercial company law taxation. Capital contributions are subject to a one-time fixed duty charge and an annual subscription tax.
<b>The Foreign Account Tax Compliance Act (FATCA)</b>	<b>The Foreign Account Tax Compliance Act (FATCA)</b> was introduced by the tax authority of the USA, the Internal Revenue Service (IRS), in March 2010. This act requires foreign financial institutions (FFIs) to provide the IRS with information about financial accounts held by U.S. taxpayers, or by foreign entities in which U.S. taxpayers hold a substantial ownership interest.
<b>UK Domiciles</b>	Domicile is a concept of general law. There are three types of domicile: origin, choice and dependence. You are normally regarded as domiciled in the country where you have your permanent home. You typically acquire a domicile of origin from your father when you are born.  <b>UK Domiciles</b> are individuals whose domicile of origin is the UK. A person's domicile of origin is typically dictated by a father's domicile on the date of birth. As a UK domicile an individual is required to pay tax on worldwide income.



<b>UK Non-Domiciles</b>	<b>UK Non-Domiciles</b> are individuals that reside in the UK, but whose domicile of origin is outside of the UK. A UK non-domicile is required to UK tax on UK earnings, but need not pay UK tax on foreign income or gains unless they bring that income back to the UK.
<b>Wrappers</b>	<b>Wrappers</b> are instruments in which investments can be held in order to reduce the amount of tax paid on investment income. Wrappers can be utilized onshore, such as in the case of Individual Savings Accounts (ISAs) and Personal Equity Plans (PEPs). In the context of offshore investments, wrappers can be used to fulfil the same role, allowing investment income to accumulate with the tax deferred until the wrapper is cashed.



# 10 Annex

## Advanced Letter

[RESPONDENT NAME/]  
INSERT ADDRESS

[REDACTED]

Date  
Ref                   XX

Website: www.gov.uk

### Current perceptions of the offshore investment market - research project

Dear [RESPONDENT NAME]

We are writing to you to ask for your help with an important study HM Revenue and Customs (HMRC) are carrying out. The research will explore the views of wealth managers and financial advisors employed by banks on the offshore investment market in order to help HMRC understand the pressures and changes that the industry is facing. Feedback will help us to identify how we can improve the services we offer and therefore your organisation's participation in the research will be extremely valuable.

We are seeking the opinions of banks offering wealth management services and looking to interview one of your staff members who is directly involved with providing advice to UK clients regarding the offshore investment market and who also has a strategic awareness of how your organisation currently delivers and will deliver services to clients in the future (and how service delivery has changed over the past few years). We are writing to you to nominate an appropriate member of your team whom we can approach for the research.

#### What does the research involve?

We have commissioned IFF Research, an independent research company, to conduct this research. From **w/c 13 July** you may be contacted by IFF Research to identify your nominated member of staff. IFF will then contact your nominated individual to arrange an interview date and time to suit them. We expect that the interviews will be face-to-face and last up to an hour. **IFF will be conducting interviews until Friday 28<sup>th</sup> August.**

Please be assured that any information provided as part of this study will be used for research purposes only. Everything you tell IFF Research will be treated in complete confidence, meaning that no individual, organisation or their individual answers will be identified to HMRC. All research procedures adhere to the Market Research Society Code of Conduct and the provisions of the Data Protection Act.

#### Questions?

If you have any questions about the research, or want to pass on alternative contact details, you can contact researchers [REDACTED].

Alternatively you can contact the HMRC research manager [REDACTED]

Once again, we would greatly appreciate your participation.



## Discussion Guide

## Exploration of the offshore investment market-views from financial advisors – Discussion Guide

Respondent ID	
Organisation Name	
Job title	
Length of time with organisation	
Date of interview	
Interviewer	
Interview length	

### 1 Introduction (2-3 mins)

- **Introduce self**
- **Introduce IFF Research and work we are conducting for HMRC**
  - Thank you for agreeing to take part in this valuable piece of research.
  - The interview will take up to 60 minutes.
- **Confidentiality**
  - All the information we collect will be kept in the strictest confidence and used for research purposes only.
  - We will not pass any of your details on to any other companies. It will not be possible to identify any individual or individual company in the results that we report to HMRC and the answers you give will not be traced back to you.
- **Recording**
  - Permission to record.
  - At the end we will ask if you are happy to have an anonymised version of this transcript provided to HMRC – no obligation to agree
- **Subject**
  - HMRC are trying to get a better understanding of offshore financial markets and products available to customers
  - Reassurance that the focus of the research is organisation's relationships with their customers, types of advice they are approached for and consumer decision-making processes behind offshore investment





## 2 Organisation and advisor role (5 mins )

- Could you give me a quick overview of the nature of your organisation?
  - Type of bank
  - Structure
  - Products / services and investment opportunities offered
- How long have you worked here? And how has the business developed / changed in the time you have been here?
- What is your day to day role? Level of seniority? Any other responsibilities?
- Do you have any specialist areas?

## 3 Advisor awareness, knowledge and understanding of the offshore investment market (5-10 mins)

- Could you give me an overview of what the offshore investment market currently looks like?
  - Developments in recent years
  - Direction of travel including types of products, market size, size of customer base
  - How do you see the market changing over the next few years and what is driving that change and how are you adapting your approach to that?
  - Traditional means of investment / products. Emerging products / means of investment
- Where do you get your information from about offshore investment?
  - Primary sources?
  - Which sources do you find most valuable / reliable?
  - How do you keep abreast of recent developments?
  - What extent is this shared throughout the organisation or with customers?
  - Do you think there is enough information available about offshore investments either for you as an advisor or for your customers?
  - In which areas of offshore investment / products do you think there needs to be more information on?
- Thinking in general terms, what are the main areas of advice that customers approach you for?
- What is the nature of the advice you give to customers on a day to day basis?
  - What kind of conversations are you typically having with customers at the moment?
  - Has this changed in recent times? If so why?
  - Are there particular areas of concern / confusion that customers raise that they didn't before?
  - Are there particular products or services that customers ask about now?
- What do you feel about the information that is provided to you by HMRC about offshore investment?
  - In general?



- Specifically in relation to offshore tax compliance?
- About new policy developments e.g.
  - Tougher sanctions
  - Civil and criminal penalties for offshore evaders and enablers
  - Notification requirement on FIS to inform customers about the CRS opportunities to disclose and increased sanctions
- PROBE:
  - Clarity including what it means for your clients
  - Comprehensiveness including what the implications are for your clients
  - Accessibility and ease of use (including language, structure, format)
- Do you feel there is any further information or areas of guidance you would like HMRC to provide? And in what ways would be useful for you? e.g. emails, webinars, web info
- Explore agents overall views of offshore investment
  - Pros and cons
  - What do you think is the general perception of offshore investments at the moment?
    - Amongst the general public
    - Amongst your customers
    - Across the finance sector
    - Amongst regulators
    - Across government
    - Do you think there are common misconceptions? What are they?
- Have you changed any of your processes or products offered in the last 6 months due to publicity about tax and offshore investments?
  - What have you changed and why?
  - IF PRACTICES OF OTHER BANKS MENTIONED SPONTANEOUSLY: Probe around good / bad practice examples.
- In what ways, if any, has/will the transparency agenda, and by that we mean increases in international data sharing about people and their financial products, affect your business model?
  - Have you made any or are you planning on making any changes?
  - How will this affect your customers? How are your customers responding to the need for increased transparency in general? For example, what are their levels of awareness, how do they feel it impacts on them?



## 4 Customer base (5 mins)

- Could you talk me through your customers that are interested in offshore investment? What are their key characteristics?
  - Demographics
  - Levels of affluence
  - Domicile
  - Motivations
- How do you segment / group them?
  - Do you break them into certain categories e.g. by wealth, complexity, type of investment, residence etc.?
  - Within these groups, what are the biggest proportions of types you deal with? Do you have a higher proportion of non-doms, for example?"]
  - Has the profile of customers changed at all in recent years?
- What is your relationship like with your customers?
  - Typically how often do you have contact with your customers?
  - What type of contact is this, e.g. telephone, email, face-to-face?
  - How much face to face contact do you have with your customers?
  - Are there particular types of customers that you tend to have face-to-face contact with?
  - Are there any particular groups of customers that you tend to provide advice to more often than others?
  - Do you tend to deal with the account holder themselves or an intermediary?
  - IF INTERMEDIARY: Talk me through how this interaction / relationship typically works.
  - Do your customers have access to their investment accounts via an electronic interface?

## 5 Targeting customers and marketing services (5-10 mins)

**Establish nature of customer / advisor relationship in terms of offshore investment advice. To what degree are customers proactive in terms of approaching advisor or advisor proactive in targeting customers / offering advice?**

- How does your business market itself to customers on a general level?
- How much active targeting of customers do you do regarding the offshore investment / products? As an organisation? Personally?
  - Through what means do you market to prospective customers?
  - Which avenues do you find the most effective for targeting customers?
  - Which avenues do you find most effective for getting customers? E.g. personal referrals from existing clients, other FI advisers.
- Who are your key target audiences? Including other advisers/ intermediaries if relevant?
  - Do you approach or market to different types of customers about offshore investment in different ways? How so?
  - Which methods work most effectively for which audiences?
  - PROBE: Any difference in approach to domicile / non domicile audiences?
- How do conversations about offshore investment begin and when?
  - What triggers conversations relating to offshore investments / products?



- To what extent are these conversations born out through the relationship between customer and advisor?
- How does this differ across different types of customers?
- PROBE: Domicile / non domicile
- Does the organisation have any specific guidelines regarding targeting customers about offshore investment? If yes...
  - When were they introduced and why?
  - Do they apply to all customers, if not who isn't covered and why?
- To what extent do customers come to you with specific ideas of the types of investment they want to make / products they are interested in?
- Can you talk me through the pathway to advice a typical customer might go through when thinking about investing offshore? Who else might they have spoken to / consulted prior to coming to you?
  - What formal and informal referral or sign posting routes are used by customers?
  - Are there any particular triggers of customer's experience that motivates them to seek out advice on offshore investment? For example, life events such as pay increases, age, family etc., inheritance?
  - PROBE BY DIFFERENT CUSTOMER TYPES
- What are the key motivations for customers for accessing wealth management / offshore financial services?
- What are their expectations from you as an advisor?
- Who do you think customers tend to see as responsible for the implications of decisions about offshore investments?

## 6 Customer knowledge of and interest in offshore investment / products (10 mins)

### Explore customers' existing knowledge of offshore / investment products

- How much do your clients know about the offshore investment market and products available?
  - When they first come to you, are there any common perceptions about the offshore investment market / products available?
  - What is their knowledge like? Any areas in which they are particularly knowledgeable? Any common misconceptions?
  - Do they tend to understand how they work?
  - Do you see any differences in the types of clients that you advise in terms of their knowledge?
    - What are the reasons for this difference? Are there any particular drivers that make certain types of customers more knowledgeable than others?
- Where do your customers get their information from?
  - How reliable are these sources?
  - Do you find there are any particular gaps in customer's knowledge?
  - How much research do customers tend to do about offshore investment before coming to you for advice?



- To what extent do you think customers understand the advantages and disadvantages of offshore investment?
- What are your customer's key motivations for investing offshore? Does this differ by customer type? PROBE: Domicile / no domicile.
- In your view, how advantageous is it for customers to invest offshore?
- Do your customers ever have any reservations
  - What are the key concerns customers have when considering offshore investment?
- Have you had any customers who had investments offshore and have wanted to withdraw / exit the arrangement?
  - What were the main drivers for this?
  - What are the main barriers to them doing this?
  - What issues occurred?
- Have you had any incidences where you have given a customer advice regarding offshore investment and they decided not to pursue? What were their reasons for not investing offshore?
- IF TEND TO DEAL WITH INTERMEDIARIES: When you deal with someone acting on behalf of a customer, how does the type and nature of advice that you give differ to that when you're dealing directly with a customer (if at all)?
- Do you have "set" or defined ways of dealing with intermediaries of does this differ depending on the end customer?
- Does your organisation use / do your clients access accounts through electronic interfaces such as "fund platforms"?
- IF YES: What proportion of offshore investment clients make use of them?
- How does this tend to work? How much independence do clients have to manage their accounts?
  - PROBE: Exclusive use / in conjunction with wealth managers' advice or management?
  - PROBE ANY MENTIONS OF TAX RESPONSIBILITIES: How is this managed through fund platforms?
- Have you seen any evidence that improvements in technology is making customers more "savvy" i.e. more likely to have ideas around what they want to invest in offshore?
- Have there been any other impacts of improved technology? Is there a trend towards self-service and how is this affecting the offshore investment market?



## 7 Nature of advice (10 mins)

- When customers are considering offshore investment options, at what stage in their decision making is your advice usually sought?
- What factors influence the type of advice you provide to your customers? And to what degree does the nature of the advice you give differ from customer to customer?  
PROBE:
  - Customer type?
  - Type of product interested in?
  - Level of investment?
  - Motivations for investment?
  - Intended length of investment?
  - Previous investment behaviour (e.g. level of risk, offshore or not)
- What are the key offshore investment areas / products you are discussing with customers at present?
  - Do you tend to tailor the range of investment products offered and if so how?
  - Do you tend to offer certain products / investment opportunities more than others?
- What do you believe are the key ingredients that make offshore investment advantageous for individuals?
- When and under what circumstances would you advise a customer that investing offshore is not in their best interests?
  - In these cases, what would be a suitable alternative? Would you advise them on alternative products / investment opportunities?
- What are the key areas of advice customers are looking for when it comes to offshore investment / products?
  - Are there any particular aspects that come up more frequently than others?
  - How typical / varied are the conversations you are having with different customers?

### IF NOT DISCUSSED SPONTANEOUSLY:

- Generally, how much do discussions about tax management play a part in the advice customers are looking for when thinking about investing offshore?
- Do customers ask you about tax implications of offshore investments? Who do you believe customers see as responsible for tax implications of offshore investment?
- How proactive are customers in bringing up tax related discussions?
- How proactive are you in advising about tax management?
- How knowledgeable do you think customers are about tax management and offshore investment?
  - Where do they tend to get their information from regarding tax management? How reliable are these sources?
  - How aware do they tend to be of “the rules” and compliant versus non-compliant behaviour?
    - How well informed do they tend to be?
    - Are there any particular “rules” that a difficult to understand?



- Are there any particular “rules” that customers typically regard as unfair?
- Do you find any particular areas in which there tends to be “misinterpretation”?
- Which areas of tax management do those customers thinking of investing offshore appear less knowledgeable about?
  - Are there any areas which would be potentially confusing / complicated for customers?
- How knowledgeable are customers about HMRC offshore compliance initiatives and campaigns? E.g.
  - Understanding the Common Reporting Standard and how it will affect them
    - UK receiving and sharing information with tax authorities on UK accounts
    - Time-limited disclosure facility to allow non-compliant tax payers to correct their tax affairs under certain terms before HMRC start to receive data under the CRS
    - If non-compliant, tough penalties enforced through the existing offshore penalty regime, new civil penalties for tax evaders and new simple criminal offence for failing to declare taxable offshore income and gains
  - Policy developments
    - Introducing new strict liability criminal offence for offshore evasion
    - Making it a criminal offence for corporates to fail to prevent tax evasion or the facilitation of tax evasion
    - Increase financial penalties faced by evaders
    - Introducing new civil penalties on those who enable evasion to face the same penalty as the tax evader
    - Publically name and shame both evaders and those who enable evasion
- Are these discussed at all as part of the advice? What is the nature of these conversations?
- In your view, how can HMRC best inform their clients of their tax responsibilities?
- What do you feel your role as an advisor should be regarding informing clients of their tax responsibilities?
  - What do you feel are the minimum requirements advisors should adhere to when providing information to their clients about tax compliance?
  - Is there anything you feel you do additionally that goes beyond these minimum requirements to ensure that a client understands tax compliance?
- If you don't offer tax advice do you point them in the direction of someone that does? Do you have a trusted network etc.?
- Ultimately, how does your advice tend to impact on your customers' decisions on:
  1. Whether to invest offshore or not?
  2. Which products / investment opportunities to use?
- What do you think customers would do differently without your advice?





## 8 Final wrap up (2-3mins)

- Check whether there is anything else they'd like to add that hasn't been discussed?
- And would you be happy for us to pass a transcript of this interview to HMRC, on an anonymised basis, i.e. with any identifiers removed?

Yes	
No	

NOTE TO INTERVIEWER: Please record in the box below any comments respondents would like removed from the transcript.

Section or reference point	Text/context:

**THANK RESPONDENT AND CLOSE INTERVIEW**

I declare that this survey has been carried out under IFF instructions and within the rules of the MRS Code of Conduct.		
Interviewer signature:	Date:	
Finish time:	Interview Length	Mins

