



«Our tax services are effective and to the point, without unnecessary “legalese” or complications. This is what allows us to provide results, without the necessity of starting complex and costly projects.»

TAX SUITABILITY PACKAGE

Mitigate portfolio tax risk and protect portfolio performance

The *Tax Bomb*, public enemy number 1 of portfolio performance

Tax Bombs, the new legal risk

Following the introduction of FATCA, Automatic Exchange of Information, and a massive wave of tax regularisations, **personal income tax** has become a key factor in financial investment decisions.

Portfolio tax risk is the risk of acquiring a financial instrument that violates the recommendations of tax authorities. This can result in two negative effects: **Increased taxation** (which will reduce performance after tax), or **explicit penalties** (either financial or criminal).

When the tax impact is strongly felt by the customer, this is colloquially called a **tax bomb**. In case a portfolio is under a discretionary or advisory mandate, the investor could legitimately – under European *and* Swiss laws – seek compensation from the wealth manager for the damage of a tax bomb, from a **civil court**.

Tax Suitability is a legal risk activity

According to regulatory minimum standards, **Tax Suitability is the new benchmark**.

Tax Suitability should *not* be confused with **tax optimisation** – Tax Suitability is a **risk control activity** whose sole purpose is to mitigate portfolio tax risk.



Example of a Tax Bomb: UK Situs Instruments (UK Resident-Non-Domiciled)

A frequent mistake affecting particularly trustees and wealth managers dealing with UK-RND clients lies in the punitive taxation of capital (rather than of income) by simply investing. If an investment (Security, Structured Product, Derivative, Fund) is considered as **UK-Situs**, i.e. considered as a UK investment for tax purposes, the whole invested amount will be taxed as a **remittance** to the UK.

Unfortunately, **establishing the country of incorporation of the issuer of a financial instrument may not be sufficient!** The UK-RND taxpayer can end up with a tax liability of up to 45% of the **invested amount**, as well as on the income and gains from any UK securities in the portfolio. This is **extremely punitive** double taxation, which wipes out capital, and not just performance!

On the necessity of Due Diligence

Even though **it is impossible to guarantee 100%** suitability in portfolio allocation, it is imperative to protect the wealth manager against the suspicion of **negligence**: i.e. by proving that reasonable risk mitigation had been done at the level of portfolio management.

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Tax Suitability Package: The all-in-one service for your needs

At Geissbühler Weber & Uldry, we are **recognised experts of Tax Suitability**. We will help you mitigate **legal risks** by implementing corresponding services in the day-to-day activity of your institution.

Our service is composed of **three parts**:

Tax Prep: The first step will be a meeting with Portfolio Management (free of charge) to gather an overview of the clientele and product offering. Once this is done, we will perform a first analysis of the scope of the Ultimate Private Taxpayers (UPTs) of the portfolios for one or more jurisdictions.

Tax Follow-up: We examine the instruments that actually are in the portfolio or that wealth managers wish to acquire. Depending on the size of the product universe and your current IT set-up, this check could be automated or non-automated. We operate with an open-architecture approach and the technical analysis will always be based on a financial product's characteristics. We can hence offer manual checks, present you with automated solutions that are currently available on the market or build up on your existing IT platform.

Tax Review: Our consultants will use the results of the above review to provide you with an all-round diagnosis of the tax impacts of the investments, as well as with expert advice that you will be able to apply to your investment decisions.

Our Tax Suitability Package is complete, cost-effective and easy to implement: without irrelevant details, "legalese" or tech marketing buzz. The focus on relevant information is what allows us to provide the best results.

Ask for a quote for the analysis of your model portfolios or your client portfolios.

We look forward to hearing from you



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