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Citizenship and Residency by Investment schemes in the EU

TAX 3 Committee Public Hearing

18/10/2018



Infact.

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What are 'golden passport' schemes and how do they enable tax dodging?

Ben Chu Economics Editor | @Benchu_ | 14 hours agoClick to follow
The Independent

EXPRESS

Golden passport schemes WEAKEN EU security, warns bloc's justice chief

'GOLDEN passport' schemes have put Europe's security at risk as they have allowed states to sell citizenship, the EU justice commissioner has warned in a veiled dig at member states Malta and Cyprus.

The Guardian

International edition ▾

The passport king who markets
citizenship for cash



Tax evasion: blacklist of 21 countries with 'golden passport' schemes published

OECD says schemes selling either residency or citizenship
threaten efforts to combat tax evasion

Citizenship and Residency by investment schemes:

**in exchange of a sizeable investment,
citizenship or residency rights are granted.**



Golden visas & golden passports: an entry point to the EU?



Acquiring a residency permit in a Member State

DOES NOT give as many rights across the EU as granting citizenship, which does provide de facto EU citizenship

Acquiring a residency permit in an EU Member State

DOES NOT automatically give the right to reside anywhere else in the EU

Methodology and scope (1)

- ❖ 18 Member States currently run residency by investment schemes.
- ❖ 4 Member States operate citizenship schemes in addition to residency schemes.
- ❖ The nature and amount of investment differ across Member States
- ❖ Some Member States grant temporary resident permits, others permanent permits, others citizenship
- ❖ Some Member States require to be physically present on the territory, others don't.



Criteria 1: **Investment obligations.**

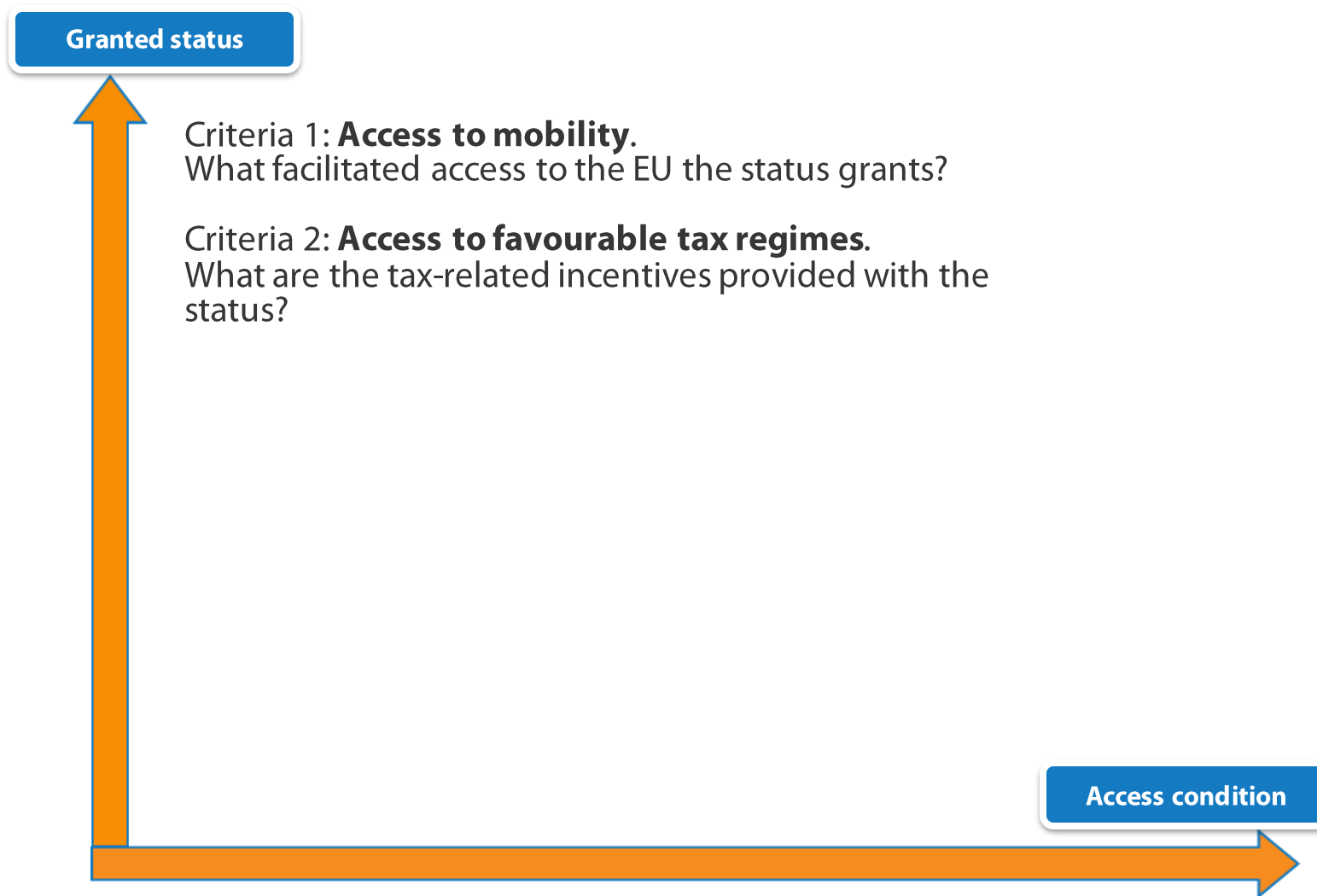
What level of wealth and engagement with the Member State does the scheme require?

Criteria 2: **Physical presence requirements.**

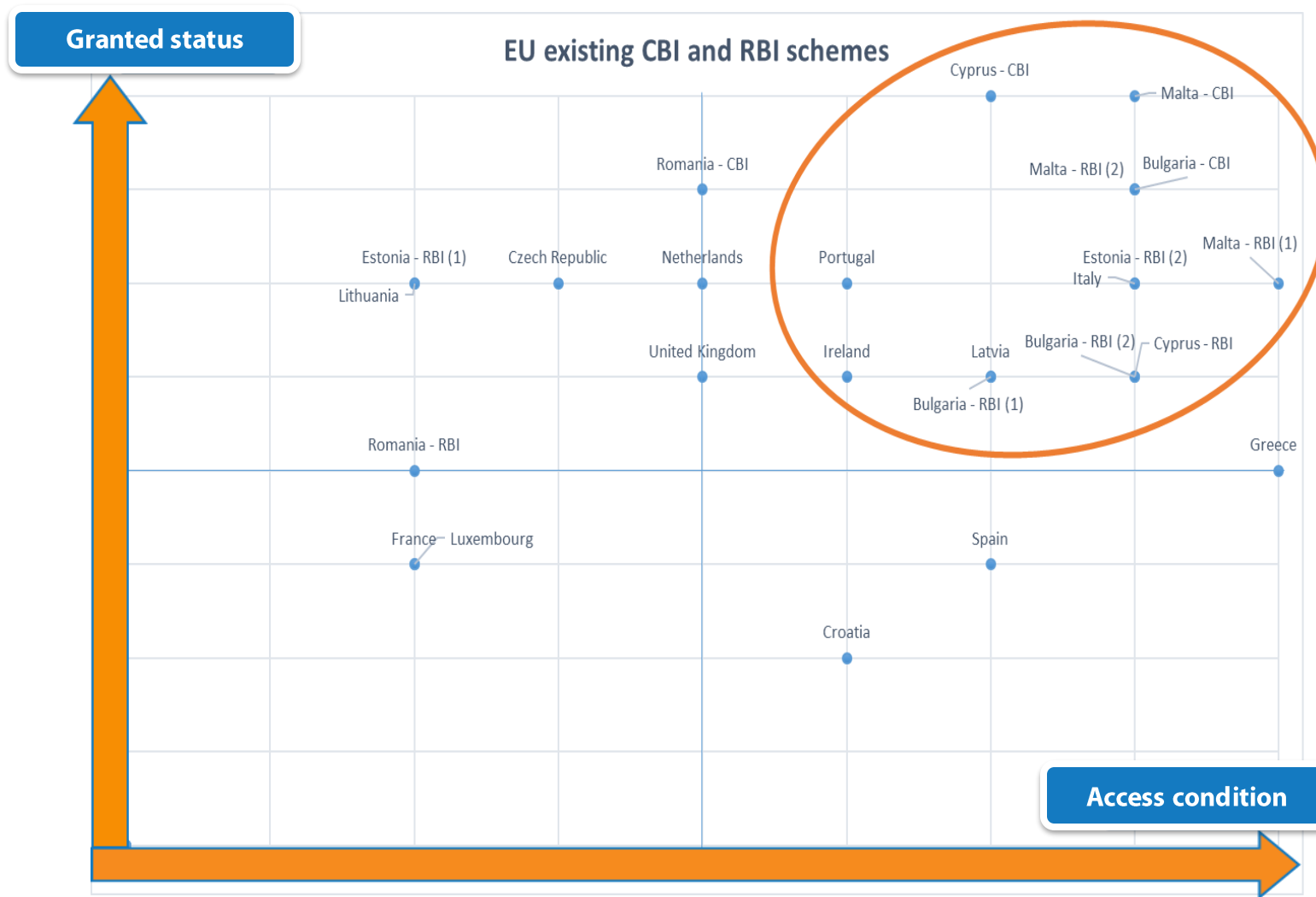
Do the successful applicants are expected to spend some time on the territory?



Access condition



Methodology and scope (3)



Methodology and scope (4)

Common features of schemes operated in Bulgaria, Cyprus, Estonia, Italy, Ireland, Latvia, Malta and Portugal:

- ❖ none to very low physical presence
- ❖ mainly passive investments
- ❖ residency permits granted in Estonia, Italy, Latvia, Malta and Portugal offer visa-free travels to the Schengen area, while others grant citizenships (Bulgaria, Cyprus, Malta)
- ❖ access to favourable tax regimes: non-domiciled regime in Cyprus, Ireland, Malta and Portugal; flat tax (€100,000) on foreign income in Italy; less than 20% taxes on personal income in Estonia and Latvia

RISKS

- ❖ CBI/RBI schemes are vulnerable to money laundering and corruption
- ❖ Tax transparency: schemes offering access to special tax regimes are particularly challenging

Limited requirements to be physically present in the jurisdiction

→ test to attribute tax residency in a jurisdiction can be circumvented

Special tax regime that exempt from taxation foreign income

→ exchange of information between tax authorities becomes key

IMPACTS

- ❖ On a short term: CBI/RBI schemes generates important contributions to national treasuries
- ❖ On a long term, the benefits of the investments remain uncertain:

Expansion of the tax base → hard to anticipate

Creation of jobs → hard to predict

Reliance on the CBI/RBI inflows → risks for macroeconomic resilience

EU ACTION

- ❖ monitoring of the proper application of the EU AML legal standards + evaluation of due diligence procedures for prospective applicants
- ❖ best practices to correctly apply existing Common Reporting Standards + adoption of a systematic risk-based approach
- ❖ protection of whistle-blowers
- ❖ accountable governance framework
- ❖ objectives of economic benefits should be carefully balanced against the risks they carry and their effect on public opinion

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