SOVEREIGN
REVIEW OF 2022

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CORPORATE SERVICES – PRIVATE CLIENT SERVICES – RETIREMENT PLANNING

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Sovereign stays on course through a world of change

Gerry Kelly
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As I contemplate the year ahead, I realise that many people will have been delighted to bid farewell to 2022. I hope that you all had your share of good times, but the past year has also no doubt left some painful memories.

The horrific war in Ukraine continues to rage with devastating consequences, not just for the long-suffering Ukrainian people but the world in general. The disruption to the oil and grain markets in particular has led to huge price inflation and a general feeling of uncertainty in most major world financial markets. Whether it be volatile exchange and rising interest rates, or the spiralling cost of energy during the northern hemisphere winter, there are many areas of concern.

But of course it's not all doom and gloom as the world continues its recovery from the Covid pandemic. Some economies are bouncing back faster than others – but it's all generally going in the right direction. Despite everything, business confidence has been positive for large parts of the world's economy and this looks set to continue as we enter a new year.

In our case, I am delighted to report a good year overall for Sovereign as we continued to focus on the parts of our business that we seek to develop whilst rationalising elsewhere.

In the Middle East, we announced the we were joining forces with the PRO Partner Group (PPG) – our largest acquisition to date. Apart from welcoming their team of experienced and talented colleagues to Sovereign, the deal means we are now represented for the first time in Qatar and Oman. Our existing businesses in the UAE and Saudi Arabia have also benefitted greatly from PPG's presence in those countries.

In the UK, we took the decision to search for a new partner to take on our SIPP pension business. It was important to us to identify a purchaser with similar values and business ethos to Sovereign and we were delighted to find just such a partner in International Financial Group Limited (IFGL). This transaction will be completed shortly subject to regulatory approval and I wish continued success to all our staff who are transferring to IFGL.

But what can we expect over the year ahead? Despite the continued international turbulence, there are also plenty of good reasons for confidence.

The relaxing of stringent Covid restrictions in Hong Kong and across China is to be welcomed. There will certainly be challenges ahead as they readjust to the new 'normal' and the release of so much pent up demand but, as they re-open, the business opportunities both in Mainland China and the Hong Kong SAR are likely to "surprise to the upside", as business jargon puts it.

In Europe, I am encouraged by the continued development of our significant business in Portugal, especially around the D7 residence visa and the non-habitual resident (NHR) tax planning work. These are tried and tested residency options for those fortunate or nimble enough to be able to consider residence in another country. People who have perfected the sometimes tricky art of working from home over the last few years may want to consider their options. Some countries, such as Portugal, are warmly welcoming foreigners and a clear demographic shift is taking place. And it is not just retirees that are coming to Portugal; global businesses are relocating their staff to benefit from a higher quality of life and young professionals are moving in their droves. The number of full-time expat residents in the country is now up around 700,000.

We are also very excited at the prospects for our occupational pensions segment as a growing number of jurisdictions in which we operate are introducing 'auto enrolment' pensions legislation. This means that employers are legally required to set up a workplace pension, offer membership to all qualifying employees and contribute to their pension savings. Sovereign can design and set up occupational pension schemes to assist employers of all sizes to meet these new pension obligations.

Digitalisation and globalisation have had a profound impact on economies and the lives of people around the world and, in an attempt to catch up, the international tax framework has been in constant change for over the last decade. We have seen wave after wave of new international regulations covering transparency, harmful taxation, beneficial ownership and economic substance.

Whilst our office in Chester has been working overtime to meet the deadline for registration under the UK's new Register of Overseas Entities (ROE), our offices in Dubai and Abu Dhabi are busy preparing for the introduction of a new corporate tax rate of 9% from June 2023 as well as the implemention of transfer pricing regulations. The pace of change across all of our jurisdictions has been unrelenting.

Corporate tax impacts a lot of what we do at Sovereign, so the success – or otherwise – of the OECD's plans to introduce a new global 'Two-Pillar' tax framework for multinational enterprises (MNEs) will be relevant to a large number of our clients, particularly as it is closely tied to issues of 'economic substance'.

Pillar One covers the new system of allocating taxing rights over the largest multinational enterprises (MNEs) to jurisdictions where profits are earned. Pillar Two aims to reduce the opportunities for base erosion and profit shifting to ensure that large MNEs pay a minimum 15% rate of corporate tax globally.

As countries around the world prepare to amend their local tax laws to introduce the global minimum top-up tax ('GloBE'), this will make life more complex and difficult for companies doing business (and reporting) internationally – particularly smaller enterprises that may have the ability to deliver a product or service globally but may lack the technical resources and expertise to ensure compliance with all aspects of the new global tax framework.

Good quality advice is essential and, as always, Sovereign will be here to assist you. If you or your clients are concerned about any aspects of your structuring or reporting, please contact your nearest Sovereign office to obtain up-to-date guidance from across our growing network. I wish you all a healthy, happy and prosperous 2023. ▪

UK 'Non-Domiciled' status – *facts and fictions*

Howard Bilton
Chairman
The Sovereign Group

There is continual debate about those who are non-domiciled but resident in the UK. Are they an asset to society who assist wealth generation in Britain and we are lucky to have them? Or are they are free riders enjoying all the benefits of British society without paying their way at the expense of ordinary taxpayers?

The issue is highly contentious and most of the debate seems to ignore the facts. Detractors and acclaimers alike are inclined to pick a headline that suits their argument rather than to present a reasoned argument on the basis of which a considered decision can be made.

What seems incontestable is that non-doms do not pay their 'fair share' of tax if judged purely against the percentage of total income paid by ordinary UK taxpayers who do not – and cannot – enjoy that status.

A train driver or a nurse earning £50,000 a year in the UK, for example, will be taxed £12,444. That means they will take home £37,556 per year after income tax and National Insurance, which means their average tax rate is 24.9%.

In fact, for higher-rate UK taxpayers, Sovereign once calculated that, on earned income taxed at 45% plus National Insurance, the effective government take was nearly 85% if you also considered the tax built into typical expenditure patterns – council tax, road tax, car tax, and fuel, alcohol and tobacco duty – as well as the 20% VAT charged on top of everything.

By comparison, a billionaire non-dom will only be paying a tiny percentage of their income to HMRC. But that is not, of course, the full picture. A non-dom will typically be paying substantially more tax than the nurse or train driver.

Let's look at the figures. As a UK resident non-dom, you are entitled to use the remittance basis for up to 15 tax years in any given 20, which allows you to shelter your foreign income and gains from UK income tax and capital gains tax. You will only pay tax – at the standard UK rates but without any allowances – on foreign income and gains that are remitted to the UK, either directly or indirectly. After that time you will become deemed domiciled for all tax purposes, unless you cease being UK resident.

For the first seven out of nine tax years of being UK resident, you can use the remittance basis without charge. For the 8th to 12th tax years (out of 14), you are required to pay the remittance basis charge of £30,000 for each year you choose to use the remittance basis. For the 13th to 15th tax years, the charge rises to £60,000 per year of use.

On top of this, non-doms will likely also be employing people, creating businesses, paying vast amounts of VAT and contributing to all other taxes apart from income tax. But the argument remains that it is essentially unfair. Added to which non-doms fuel house price inflation in certain areas, such that they're no longer affordable by decent, hardworking UK taxpayers. This is all true.

What would be a fairer system? It would be easy, of course, to abolish the status altogether and tax everybody on the same basis – but would that result in a net gain to the UK Treasury or a net loss? Phillip Fisher, writing in AccountingWEB, argues that "there can be no good reason for the continued existence of what is clearly now a dated and very expensive luxury item" and that "no other country has ever considered allowing massive tax reliefs to those who are not domiciled".

Technically that might be true because most countries don't recognise or apply the concept of domicile but it is far from the whole story. Many countries in the world try to entice wealthy new residents with extraordinary tax breaks. Most Swiss Cantons permit the option of forfait taxation, which offers them a fixed lump sum tax deal. Portugal gives new residents a ten year tax-free deal under its Non-Habitual Resident programme. Italy will give a fixed rate of tax to newer residents. The list goes on. In other words, there is fierce international competition for wealthy immigrants.

A report recently published by the London School of Economics suggested that removing non-dom tax status would raise more than £2.3 billion. Presumably the LSE's figures assume that if the status was abolished all the non-doms currently in the UK would stay. They won't. Every time the benefits of the status are reduced, some non-doms leave. The hope is that sufficient of them will stay on to provide a net rise in tax revenue, although HMRC's own figures rather suggest the opposite.

After the major change in non-dom tax legislation in April 2017, the number of taxpayers claiming non-dom status in the 2017/18 tax year fell by 12,200 (13%) and the amount of revenue generated decreased from £9.4 billion to £7.5 billion, so by a disproportionate amount to the decrease in claimants. This would suggest that those that had paid the most tax were no longer claiming the remittance basis – approximately half of these people left the UK and the other half were now deemed UK domiciled and so paying tax on their worldwide income and gains.

HMRC stated that this latter group paid approximately the same in tax and National Insurance contributions in 2017/18 as they paid in 2016/17. The statistics also showed that the amount of tax paid by each non-dom had fallen, which could also indicate that the 6,000 that left the UK were the ones paying the most tax. The average tax per non-dom was £96,284 in 2017/18, compared to £104,851 in 2016/17.

It would certainly be safe to say that, if non-dom status were to be abolished altogether fewer wealthy immigrants would come to Britain and contribute to our economy. It is inconceivable that removing one of the main attractions of living in the UK would not result in large numbers of potential candidates moving elsewhere. As we have seen from an international perspective they are spoiled for choice, and they certainly aren't flocking to Britain for the weather.

No tax system is sacrosanct but what every taxpayer wants is clear and unambiguous rules that do not change retrospectively, unfairly penalising those who have come here expecting a deal on certain terms.

The US taxes the worldwide income of anybody born in the USA, who holds a green card or who holds US nationality irrespective of whether they live and reside in the US. Is that unfair? Those who have lived abroad for many years do not use any of the facilities paid for by US taxes (except arguably for the consular networks and protections that this affords). But the only way to rid yourself of US tax liability is to renounce your nationality, pay the exit taxes and move elsewhere.

Most other European countries tax the worldwide income of their residents, similar to a domiciled and resident UK person. But once they have left that country, their tax liabilities end – including their liability to estate duties. The UK is unique in charging IHT at 40% on those who have left the UK many years previously, simply because they are deemed to have retained their UK domicile. Remember a UK domicile is difficult to acquire but hard to lose.

Hong Kong charges only 16% tax but only on Hong Kong-sourced income, so many residents who have international business have an effective rate of tax in the low single figures. But Hong Kong still generates a tax surplus. Isn't this an argument that lower taxes generate more income rather than less?

Monaco does not tax individuals on their income, and corporations that make 75% or more of their profits in the country are also tax-exempt. It relies heavily on the tourism industry to generate revenue and also charges a VAT of 20%, stamp duties on documents and a 33.33% tax on corporations with profits exceeding 25% from offshore sources.

Despite there being a general move internationally towards fairer taxation of the digital economy and to tackle base erosion and profit shifting, it is highly unlikely that all countries will ever agree to apply the same tax rate in the same way. So taxation will always be a factor when companies or individuals decide where to locate or relocate – as will the country's political and economic stability, the environment, the infrastructure, the culture, the language, the living costs, the cuisine, and everything else that dictates the quality of life.

Remember the OECD's attempt to harmonise global tax rates through its initiative against 'harmful tax competition' in 1998? Three years later, then US Treasury Secretary Paul O'Neill broke ranks stating: "I am troubled by the underlying premise that low tax rates are somehow suspect and by the notion that any country, or group of countries, should interfere in any other country's decision about how to structure its own tax system.

"I also am concerned about the potentially unfair treatment of some non-OECD countries. The United States does not support efforts to dictate to any country what its own tax rates or tax system should be and will not participate in any initiative to harmonise world tax systems. The United States simply has no interest in stifling the competition that forces governments – like businesses – to create efficiencies."

O'Neill was right. Why should high tax countries bully other countries into raising their tax rates when they don't want or need to?

This writer thinks it is impossible to accurately predict the financial result of abolishing the UK's 'non-dom' status, but the evidence certainly seems to suggest that the UK's tax take would fall rather than rise. It may be that this is a price worth paying on moral grounds and that the present inequitable situation should not be allowed to continue. Fair enough. But those who argue for abolition should also realise that the net result is likely to be increased taxes for them and all the other UK taxpayers that they claim to be protecting. Is this a price that they are prepared to pay to remove the 'non-dom' anomaly? ■

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ASIA

Hong Kong sets out to bolster its role as Asia's financial and trading hub

Hong Kong is seeking to bolster its role as Asia's financial and trading hub of choice after almost three years of Covid-19 restrictions, said the city's chief executive John Lee in January, announcing a drive to bring back investors, businesses and visitors as it pivots to normal in a "safe and orderly manner".

It was announced at the start of February that Mainland China was fully reopening its borders with Hong Kong, with all Covid-19 restrictions dropped and no quotas imposed on arrivals from either side. Only people entering the mainland from Hong Kong who have been overseas in the previous week will now be required to take a PCR test 48 hours before departure from Hong Kong to the mainland.

Businesses and individuals in Hong Kong Special Administrative Region (SAR) enjoy one of the most tax-friendly systems in the world. To drive new growth for the city, the government is introducing a dedicated 0% profit tax concession regime for family-owned investment holding vehicles (FIHVs) that are managed by eligible single-family offices (SFOs) in Hong Kong.

According to the 2021 Wealth-X World Ultra Wealth Report, Hong Kong had more than 9,500 ultra high-net-worth individuals (UHNWIs) in 2020 — the second highest among cities worldwide, after New York. This new measure aims to attract more of them to operate SFOs in the city. The administration expects to attract no less than 200 family offices to set up or expand their operations in Hong Kong by late 2025.

The Inland Revenue (Amendment) (Tax concessions for family-owned investment holding vehicles) Bill 2022, which were tabled in the Hong Kong Legislative Council in December, will exempt an FIHV and its eligible special purpose entities (SPEs) from profits tax in respect of taxable profits earned from qualifying transactions carried out or arranged by an eligible SFO in Hong Kong from year of assessment 2022/23.

A qualifying FIHV must be an entity, managed by an eligible SFO, with its central management and control exercised in Hong Kong and at least 95% of its beneficial interest must be held (directly or indirectly) by one or more members of a family. It must not be a business undertaking for general commercial or industrial purposes.

An eligible SFO must be a private company with its central management and control exercised in Hong Kong that provides services to an FIHV and/or members of the family. The related service fees must be chargeable to Hong Kong profits tax. The concession also extends to cover special purpose vehicles (SPVs) held by an FIHV that are set up solely for holding and administering specified assets as well as family-owned special purpose entities (FSPEs).

"In terms of the competition for family offices in Asia, Hong Kong is raising the stakes with this high-profile FIHV initiative, which will serve to intensify the rivalry with Singapore and Dubai," said Margaret Fung, Managing Director of Sovereign Trust (Hong Kong). "One thing we can be sure of is that our clients will be the ultimate winners because this competition is driving the best deal for them."

Family offices typically favour alternative investments, such as private equity, to boost returns and are expected to be an emerging investor base for private equity funds – another key segment of Hong Kong's wealth management business.

Private equity funds have become an increasingly important financing channel for businesses, alongside initial public offerings and investment banks, and are expected to inject impetus into the real economy's growth. Currently, Hong Kong is Asia's second-largest private equity hub after the Chinese mainland, with over USD190 billion worth of assets under management.

A private equity fund is a general limited partnership formed by private equity firms investing in private companies in multiple sectors, such as financial technology, logistics and real estate. Private equity fund managers rely on investment strategies as diverse as venture capital, growth capital, leveraged buyout or distressed debt.

In 2019, the Hong Kong Government took the final step in the creation of what has come to be called the Unified Funds Exemption (UFE) regime, when the scope of the existing tax exemption for offshore funds was extended to onshore based funds. As from 1 April 2019, the tax legislation adopted a level playing field in its treatment of both onshore and offshore funds.

Further measures to develop the private equity fund market have included the launch of the open-ended fund company (OFC) and limited partnership fund (LPF) regimes in 2020, offering tax concessions for carried interest distributed by eligible private equity funds in Hong Kong and establishing a mechanism to attract foreign funds to redomicile to Hong Kong in 2021.

The establishment of the OFC and LPF regimes has broadened the choice of fund vehicles domiciled in Hong Kong and helped to reduce the use of exempt companies and limited partnerships based in the Cayman Islands. Prior to the OFC regime, private open-ended corporate funds could not be established in Hong Kong because of company law, while Hong Kong's Limited Partnership Ordinance had not been updated to cater for fund vehicles.

566 LPFs had been established in Hong Kong by the end of 2022, while the new re-domiciliation mechanisms have also enabled existing investment funds that are set up in corporate or limited partnership form outside Hong Kong to apply to register as an OFC or LPF in Hong Kong respectively.

Recognising that carried interest forms a major component of compensation for private equity professionals, the follow-on step of introducing a tax concession for carried interest was designed to make Hong Kong even more competitive for the business of asset managers against other jurisdictions, most notably Singapore.

Under this new concession, eligible carried interest that is received or accrued on or after from on or after 1 April 2020 is subject to zero percent profits tax. Individuals who have received carried interest or to whom any such sum has accrued, are also eligible for a 100% deduction for those sums against their assessable income.

"Many of these new LPFs have come from the boutique to middle-sized investment firms," said Fung. "The simpler and faster process of setting up LPFs, which only requires to register with the Companies Registry, has been a primary factor in helping the new regime to gain traction so quickly."

Hong Kong's asset management sector received a further boost last September, when the government and the Qianhai Authority of Shenzhen jointly announced '18 measures for supporting the linked development of Shenzhen and Hong Kong venture capital investments in Qianhai' to turn Qianhai into a Shenzhen-Hong Kong international venture capital cluster.

The measures comprise a range of initiatives, such as expanding the investment scope, streamlining the application process, allowing greater flexibility in cross-boundary fund transfers, enhancing the interface between Hong Kong's LPF regime and Qianhai's Qualified Foreign Limited Partnership (QFLP) pilot scheme, and creating a regulatory sandbox mechanism for cross-boundary financial innovation.

The QFLP pilot scheme enables institutional investors from the Hong Kong and Macao SARs to invest in mainland private equity funds and venture capital enterprises in the Greater Bay Area. By late last year, there were 122 Hong Kong-funded QFLP enterprises in Qianhai, managing funds amounting to USD5.76 billion.

A cross-border supervisory sandbox is an essential component for promoting linked development in the private equity sector between Hong Kong and Shenzhen. Hong Kong's 800 fintech companies should provide a pipeline of fintech pilot programmes to be tested by a cross-boundary regulatory sandbox.

Finally, the Hong Kong Legislative Council passed legislation in December to introduce a new foreign-sourced income exemption (FSIE) regime for passive income in Hong Kong. The measure, which came into effect as of 1 January 2023, will avoid Hong Kong being black-listed by the European Union.

The EU placed Hong Kong on its watchlist in October 2021 on the grounds that the non-taxation of foreign-sourced passive income was not accompanied by adequate substance requirements or anti-abuse rules. It invited Hong Kong to commit to amend its Foreign-sourced Income Exemption (FSIE) regime by 31 December 2022.

The Ordinance, which upholds Hong Kong's territorial source principle of taxation, will put in place an economic substance requirement and nexus requirement to safeguard against possible exploitation of Hong Kong's tax arrangement by shell companies to achieve double non-taxation in respect of foreign-sourced passive income.

Only multinational enterprise entities (MNEs) carrying on a trade, professions or business in Hong Kong will be subject to the new FSIE regime. Individuals and local companies will not be affected.

Under the regime, MNEs that have a substantial economic presence in Hong Kong will continue to be able to claim tax exemption for specified foreign-sourced passive income, namely interest, dividends and disposal gains in relation to shares or equity interests, received in Hong Kong.

For foreign-sourced IP income, taxpayers will need to comply with the nexus requirement set out by the OECD in respect of preferential tax regimes for IP under which tax exemption must be substantially tied to the qualifying research and development (R&D) expenditures that are attributable to a qualified IP asset.

To assist taxpayers, the Inland Revenue Department (IRD) will implement a package of tax compliance facilitating measures, including simplified reporting procedures and a dedicated team to provide technical support. Taxpayers may also apply for advance rulings on whether the economic substance requirement is met under the FSIE regime.

"While Hong Kong has been relatively late to introduce an FSIE regime, the 'rules of the game' are very straightforward compared to other jurisdictions and should enable Hong Kong to maintain its favourable position," said Fung. "We anticipate that the IRD will publish rulings in the coming months to help ascertain the best set-up for businesses to meet the economic substance requirements.

"Taken as a whole, all these measures demonstrate that the Hong Kong government is determined to swiftly take on point actions needed to revitalise the economy in the post-Covid era. As a result, we expect that Hong Kong's recovery will accelerate in 2023 much faster than we thought possible and, in the end, that will be to the benefit of all our clients."

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ASIA

Singapore – the top location for Single Family Offices

Singapore is an innovation hub for entrepreneurs around the globe. Already home to around 7,000 multinationals and 3,000 start-ups, the Singapore government has created a pro-business environment that encourages innovation and productivity. The country saw its international patent applications swell by 23% last year alone, according to the UN's World Intellectual Property Organisation (WIPO).

Singapore's strategic location – within a six-hour radius of any Southeast Asian country – makes it an ideal hub from which to access the region and its growing consumer market. Singapore is part of the ASEAN Free Trade Area, which supports local trade and manufacturing in all ASEAN countries and works towards lowering intra-regional tariffs. It is also within the ASEAN Investment Area, which ensures mostly non-discriminatory treatment for ASEAN and ASEAN-based investors, transparent rules and regulations, and protection for investors and their covered investments.

Singapore's tax regime aims to support substantive economic activities in Singapore for long-term, sustainable growth. It offers a highly competitive corporate tax rate of 17% and a 250% tax deduction for qualifying expenditure for eligible R&D activities in Singapore.

The basis of taxation in Singapore is source and remittance-based, which means companies with activities outside Singapore – or whose bank accounts are outside Singapore – are not liable for tax in Singapore on foreign-source income. There is no withholding tax on dividends payments, irrespective of where the shareholders are tax resident, no capital gains tax and Singapore has an extensive network of tax treaties with over 85 countries and territories.

Singapore personal tax rates are also highly competitive. They start at 0% and are capped at 22% above S$320,000 for residents, with a flat rate of 15% to 22% for non-residents. There is no capital gains tax or inheritance tax.

As one of Asia's most politically stable, well-regulated and competitive economies, Singapore is an ideal base for high-net-worth families to centralise global portfolios spanning diverse interests. It also plays host to a critical mass of local and global private banks, investment banks and other financial service providers and professionals.

There are currently over 400 Single Family Offices in Singapore. The recent rapid growth in numbers encompasses new Asian SFOs, as well as satellite offices of SFOs from Europe and North America keen to tap into regional growth and explore co-investment opportunities.

SFOs conduct various activities to facilitate the day-to-day management of a family's assets. The activities involved are diverse and would include investment management, consolidation of the family's accounts and tax filing. Industry research estimates that each SFO typically manages assets in excess of USD100 million.

SFOs generally employ small teams of trusted advisers and investment professionals, and also generate indirect employment in Singapore through their engagement of external finance, tax and legal professionals for advice on wealth planning and operational matters.

Specific tax exemption incentives for funds managed by family offices are available for both Singapore resident and non-resident (offshore) fund vehicles, such that almost all investment gains will be exempt from Singapore income tax. These require a Singapore manager that is either licensed (or exempted from licensing) under the Securities & Futures Act for providing fund management services.

In April last year, the Monetary Authority of Singore (MAS) introduced stricter criteria for the Singapore Resident Fund Scheme and Enhanced-Tier Fund Tax Exemption Scheme tax incentives, provided for under sections 13O and 13U of the Income Tax Act 1947 (ITA) respectively, for fund vehicles managed by SFOs.

The new criteria are aimed at increasing the size of the funds, sharpening the fund manager's expertise and boosting investments in the local economy.

The updated conditions apply to fund vehicles managed or advised directly by a family office that constitute an exempt fund management company managing assets for and on behalf of a family and are wholly owned or controlled by members of the same family. SFOs with existing s13O or s13U status, or those with applications already underway, were unaffected.

SFOs can also utilise Singapore's Variable Capital Company (VCC) structure, which can be set up as a standalone fund, or as an umbrella fund with two or more sub-funds. A VCC structure is regarded as a single company, with a single identity for tax purposes, removing the need for multiple tax returns.

Shares of a VCC are redeemable at the fund's net asset value (NAV), and VCCs can pay dividends from the capital, which is not typically allowable in other forms of corporate vehicles. In addition, VCC shareholders' register will not be publicly available, offering privacy to investors.

Global Investor Programme (GIP)
The Economic Development Board (EDB) of Singapore offers the Global Investor Programme (GIP) for families intending to relocate to Singapore. The GIP awards Singapore Permanent Resident (PR) status to eligible global investors and includes an option that is specifically designed for family offices.

Eligible investors must invest at least SGD2.5 million (paid up capital) in a Singapore-based SFO that has AUM of more than SGD200 million and maintain the investment for at least five years.

To qualify under this option, investors must have at least five years of entrepreneurial, investment or management track record and, as an individual or direct family, have net worth of more than SGD400 million. Investors must also submit a five-year business plan outlining projected employment and annual financial expenditures, which should set out the functions of the family office, proposed investment sectors, asset types and geographical focus.

Financial Sector Incentive – Fund Management Scheme
In addition to the tax exemption schemes available to the fund vehicles, family offices in Singapore can also apply for a tax incentive under the Financial Sector Incentive – Fund Management Scheme (FSI-FM), which incentivises fund management and the provision of investment advisory services in Singapore.

Under the FSI-FM scheme, fee income derived by a Singapore fund manager from managing or advising a qualifying fund is taxed at a concessionary tax rate of 10% instead of the normal corporate tax rate of 17%.

To qualify for the FSI-FM scheme, a fund manager must hold a Capital Markets Services (CMS) licence (unless exempted by MAS), employ at least three experienced investment professionals earning at least SGD3,500 per month and have a minimum AUM of SGD250 million. This is especially relevant for large family offices, where the scale of operations and the income derived from managing or advising qualifying funds could be substantial.

Every case is different, and a high level of expertise is required to ensure that the work undertaken to establish an SFO is up-to-date, effective and fully compliant. Sovereign will support clients with the following deliverables:

- Obtaining legal opinion on licensing, registration with MAS and availability of exemptions.
- Applying for the tax exemption with MAS and Inland Revenue Authority of Singapore (IRAS)
- Creation of required Investment Management Agreement template.
- Company incorporation, Employment Pass (EP) application, US Foreign Account Tax Compliance Act (FATCA) and OECD Common Reporting Standard (CRS) registration and reporting services.
- Corporate secretarial and accounting services, plus provision of local director services.
- Bank account opening services.

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Mauritius has emerged as Africa's most sought-after destination – for entrepreneurs, emigres, digital nomads and retirees – thanks to its low-tax, business-friendly and progressive economy and the high quality of its real estate, lifestyle and amenities.

Mauritius ranked first in Africa and 13th worldwide in the World Bank's 2020 Doing Business Report and once again ranked as the most innovative country in Sub-Saharan Africa on the World Intellectual Property Organisation's (WIPO) Global Innovation Index 2022, which assesses innovation levels across 130 economies worldwide. Mauritius is also rated as the safest country in Sub-Saharan Africa as of 2021, ranking 28th out of 163 countries on the Global Peace Index.

Mauritius is the preferred cross-border investment hub in the African region, positioning itself as a favourable jurisdiction for facilitating foreign direct investment. The expanding network of double taxation agreements reinforces the seriousness of Mauritius as a tax-efficient jurisdiction for structuring investment abroad. Mauritius also offers excellent infrastructure, qualified labour, strong language skills and highly skilled professional firms well equipped to operate in an international environment.

"What has impressed me more than anything else about the Mauritian business sector is the collaboration at all levels," said Richard Neal, Managing Director of Sovereign Trust (Mauritius), who moved to the island in early 2022. "The willingness to help and collaborate extends from administration staff and the legal and accountancy firms to the government-bodies of Mauritius. There is a special 'can-do' attitude that permeates on the island and positive changes can take hold fast."

The Corporate Tax rate for company profit is 15% except for companies engaged in the exports of goods, in which case the tax rate is 3%. Companies can also benefit from an 80% partial exemption on certain specified income – foreign dividends and interest – subject to carrying out Core Income Generating Activities in Mauritius. Capital gains realised are treated as exempt income in Mauritius and there is no withholding tax on dividends paid by Mauritian resident companies.

Individuals resident in Mauritius are also subject to tax at 15% on their worldwide income, subject to generous Income Exemption Thresholds, but income derived from outside Mauritius is taxable only to the extent that it is remitted to Mauritius. There is no inheritance tax or capital gains tax, making the island attractive to retirees.

Successful removal from EU 'blacklist'

The removal of Mauritius last March from the European Union's list of 'high-risk third countries' was a hugely significant step and recognised the substantial progress it had made in addressing the strategic deficiencies in its anti-money laundering and counter-terrorist financing (AML/CFT) regime.

"The government of Mauritius has reiterated its strong political commitment to sustain the AML/CFT reforms," said the European Commission. "The government has also made it clear that Mauritius and its regulators are committed to take bold actions that are required to protect the integrity of its financial systems, including the global business sector."

The Financial Services Commission of Mauritius welcomed the decision, saying: "The removal from the EU's list will enhance the status of Mauritius as a transparent jurisdiction in the global financial services sector and reinforce its position as a prominent investment destination and domicile of choice for structuring cross-border investment into Africa and Asia."

As an exercise in prudence for any tax advantageous jurisdiction, Mauritius has also been aligning itself with the OECD's Base Erosion and Profit Shifting (BEPS) initiative. In the Budget last June, the government announced that the Income Tax Act would be amended to introduce a local 'top-up tax' regime to comply with international standards.

Entities based in Mauritius that form part of a group impacted by the global minimum tax will be required to pay incremental taxes in Mauritius so that their effective tax rate in Mauritius is 15%. The local top-up tax will only apply to multinational groups with global annual revenues of at least €750 million.

The Budget also contained a host of measures to boost the financial sector and accelerate recovery from the Covid pandemic, which included:

- **Ease of Doing Business –** To promote business facilitation, a Business Regulatory Reform Bill will be introduced. There will be no fee to start a business and incorporate a company in Mauritius and the Bank of Mauritius will ensure that a bank account can be opened within one week, for an individual or a business when all relevant information has been received.
- **Tax incentives –** An eight-year income tax holiday will apply for a newly set up Freeport operator or developer making an investment of at least MUR50 million and that complies with OECD substance requirements.
- **Work and Resident Permits –** Holders of the Global Headquarters Administration licence will be provided with work and residence permits for five executives and their dependants.
- **Premium Visa –** Foreign employers of Premium Visa holders will not be subject to corporate tax and social contributions in Mauritius in respect of an employee.
- **Resident Permits –** Residential property acquired by more than one non-citizen under 'fractional ownership' will be eligible to apply for the status of residency provided that the investment by each non-citizen exceeds USD375,000.
- **Resident Permit Holders –** Acquisition of residential property of a minimum of USD350,000 will be permitted by Residence Permits holders outside the existing approved schemes, provided that a 10% contribution is made to the Solidarity Fund.
- **Family Offices –** To attract high-net-worth individuals and families, the minimum portfolio required to manage a family office will be USD5 million.

Island of innovation

Mauritius was once again ranked as the most innovative country in Sub-Saharan Africa (SSA) on the World Intellectual Property Organisation's (WIPO) Global Innovation Index 2022, which assesses innovation levels across 130 economies worldwide. In global terms, Mauritius was ranked at 45 – the only SSA nation in the top 50. In 2021, venture capital investments more than quadrupled in Africa to USD3 billion.

As an international financial centre and growing FinTech hub, Mauritius has proactively responded to the adoption of emergent technologies, such as Blockchain and artificial intelligence, in the financial services sector. The FSC has recognised Virtual Assets (VAs) as an investible asset class for sophisticated investors and professional/expert funds since 2018. It also introduced a bespoke licensing regime for custodians of VAs.

Last February, the Virtual Asset & Initial Token Offerings Services (VAITOS) Act was brought into force to provide a regulatory framework for new and developing activities regarding VAs and Initial Token Offerings (ITOs) in Mauritius, as well as to safeguard against money laundering and financing of terrorism associated with VAs.

Mauritius is now amongst the first countries in the Eastern and Southern African region to adopt comprehensive legislation on VAs and ITOs. The VAITOS Act provides a clear and comprehensive basis for operators as FinTech develops in Mauritius, whilst aligning the legal framework for regulating such class of assets with international standards.

Work from Wherever

Following the workplace disruptions caused by Covid, it was fitting to see Mauritius recognised as one of the best places in the world to be a remote worker or digital nomad, according to a new 'Work from Wherever Index' published in February by online travel agency and metasearch engine KAYAK.

Mauritius was ranked fourth worldwide and first in the Middle Eastern and African region according to the data collected by

KAYAK in six categories to rank 111 countries from around the world in terms of their attractiveness for remote work: travel, local prices, health and safety, remote work, social life and weather.

KAYAK said: “Mauritius came out on top of all Middle Eastern and African countries and fourth worldwide. It scored highest regionally for its very high internet speed and for offering a free remote work visa. It is a safe country, with high political stability, low violence, clean air and very few serious car accidents. It has great weather and an affordable cost of living.”

Mauritius launched its long-stay Premium Visa at the end of 2020 to meet the growing demand from international visitors looking to relocate to Mauritius for work, leisure or retirement. A Premium Visa is required by those who intend to stay in Mauritius for a period exceeding 180 days in a calendar year. It is valid for a period of one year and is renewable.

To qualify for the Premium Visa, an applicant must show proof of their long stay plans, such as purpose of visit and accommodation, and sufficient travel and health insurance for the initial period of stay. An applicant should also be able to demonstrate that they will not enter the Mauritius labour market and that their main place of business and/or source of income and profits are outside Mauritius.

Mauritius has developed high-end infrastructure to support the needs of global business and a large international professional services community. It provides unparalleled support to work remotely including a transparent financial ecosystem, excellent telecommunications infrastructure and a reliable ICT connectivity with a high-capacity undersea fibre-optic network linking Africa to Asia and Europe via the Middle East.

Africa is unstoppable
“Africa is unstoppable. Africa is an essential part of global business and a major investment destination. Africa includes some of the world’s fastest growing economies. And Africa has more, much more, to offer. Every sector of the African economy is growing – from manufacturing to agriculture, from services to finance,” said UN Secretary-General António Guterres.

Addressing delegates at the opening of the Global Africa Business Initiative (GABI) in New York last September, Guterres said the continent’s vibrant, young population represented a dynamic workforce and a massive consumer and business market. And the Africa Continental Free Trade Area Agreement would further accelerate investment and trade opportunities.

“The world must see Africa for what it is: a land of enormous potential and resources,” he said. “Guided by the 2030 Agenda for Sustainable Development and the African Union’s Agenda 2063, we can and must shift the paradigm. Working together, governments and the private sector can create the conditions for success. Bold investments and new finance models can put the Sustainable Development Goals at the heart of business models.”
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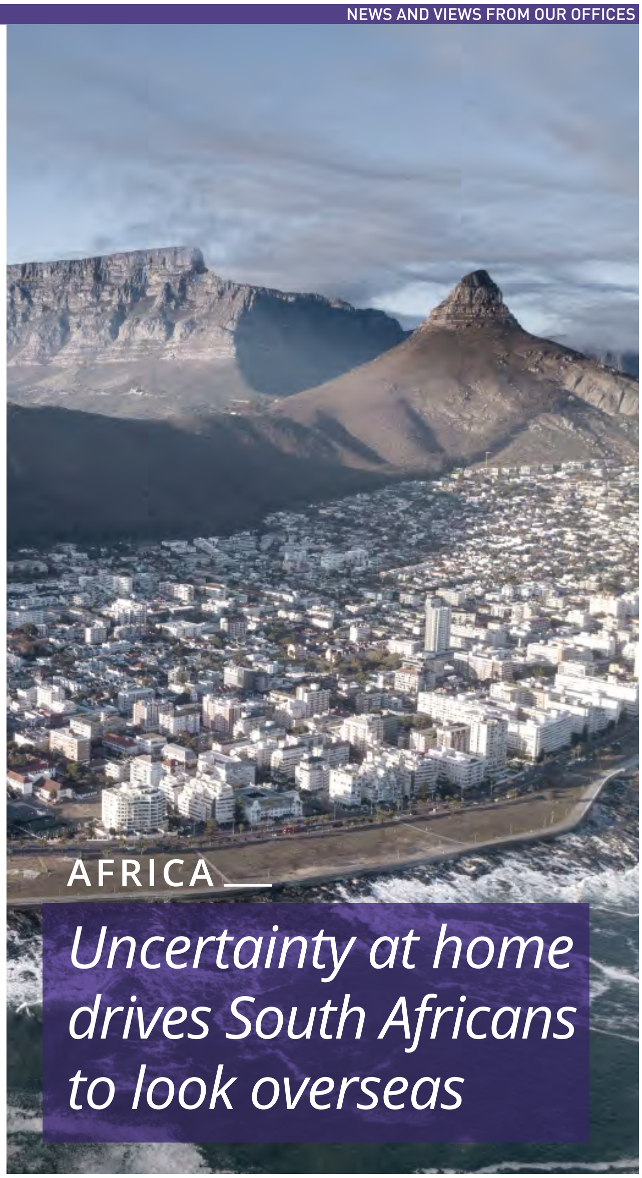

AFRICA

Uncertainty at home drives South Africans to look overseas

Against a backdrop of socio-political chaos, slow economic growth, high unemployment, high inflation rates, a struggling Rand, power cuts and the growing threat of ‘grey-listing’ by the Financial Action Task Force, it is not surprising that many entrepreneurial South Africans are yearning for change.

“Frustrations with the domestic situation having been accelerating the ‘brain drain’, as highly skilled and entrepreneurial South Africans look to establish themselves in countries that are more politically and economically stable,” said Dani van Vuuren, Business Development Consultant at Sovereign Trust (SA).

Sovereign has already seen an uptick in the number of enquiries from high-net-worth individuals (HNWIs), entrepreneurs and professionals who are considering moving to other jurisdictions, whether via investment migration, dual citizenship or financial emigration. The most popular destinations for emigration remain Australia, New Zealand, the US and Canada, especially for skilled persons, but there’s also a growing interest in countries that offer residency by investment options.

“While jurisdictions like Cyprus, Malta, Mauritius and Portugal offer highly affordable options for residency by investment, there is also strong interest in more expensive destinations like the UK, Guernsey, Spain and the United Arab Emirates,” says Van Vuuren.

In Cyprus, for example, foreign nationals can obtain Permanent Resident Permits (PRP) for an investment of €300,000 within two months. There are no language requirements, and holders are only required to visit Cyprus every two years to maintain their status. The PRP is valid for life and can be passed on to dependants. Those who choose to become tax residents in Cyprus can also minimise and even eliminate tax on income.

Mauritius has made it cheaper and easier for investors and expatriates to live and work. The island recently reduced the minimum investment required to acquire an occupation permit as an investor, and live in Mauritius as a non-citizen, to USD50,000 (MUR867,000), from USD100,000. The validity of an occupation permit has also been extended from three to ten years, and the spouses of holders will no longer require a separate permit to invest or work in Mauritius. The holders of occupation permits will also be allowed to bring their parents and dependants under the age of 24 to live in Mauritius.

Mauritius residency by retirement is another simple option available to retired foreign nationals who can apply for the financially independent residency programme without the requirement of a minimum capital investment. This initial 10-year residency permit is a popular and affordable route to obtaining 20-year permanent residency after a period of three years provided the permit holder meets the minimum requirements set by the Economic Development Board.

Similarly, Malta offers the Global Residence Permit (GRP) which is an initial one-year residency permit that offers holders a special tax status and a base in the EU. This permit is designed to attract individuals who are non-EU nationals and allows them to rent as well as buy real estate in Malta. They must become tax resident in Malta and a flat tax of 15% is charged on foreign income remitted to Malta, subject to a €15,000 per year minimum. Investors are not obliged to live in Malta but cannot spend more than 183 days a year in another country.

Singapore recently launched its Overseas Networks and Expertise (ONE) pass to attract talent as it looks to cement its position as a global financial hub. And South Africans looking for a pathway to European Union residency are flocking to Portugal in their droves, despite newly tightened rules around the country's prized Golden Visa, which gives non-EU qualifying individuals and their families full rights to live, work and study in Portugal.

In addition to the Golden Visa, the Portugal Passive Income Visa – also known as a 'D7' or 'Retirement' Visa – provides residency status to non-EU citizens, including retirees, who intend to relocate to Portugal and are in receipt of a reasonable and regular passive income. This passive income can be derived from pensions, rentals, self-employment, dividends or certain categories of investment income. The minimum income requirements are low – the main applicant requires passive income of just €8,460 (c. ZAR150,000) per year, with an additional €4,230 per adult dependant per year and €2,538 per child per year.

Another advantage offered by Portugal is its special tax regime for Non-Habitual Residents (NHRs), which enables qualifying entrepreneurs, professionals, retirees and HNWIs to enjoy reduced rates of tax on Portuguese-source income, while most foreign-source income is exempt from Portuguese taxation. Individuals of any nationality can potentially benefit from Portugal's NHR regime for ten consecutive years if they qualify as a tax resident in Portugal and have not been taxed as a Portuguese tax resident in any of the five years preceding the year in which residence is established.

How to set up an offshore trust – five key factors to consider

How should South Africans approach their global estate planning and hedge their risks in respect of the country's unstable political and economic circumstances? These are among the questions facing many South African taxpayers – and for a growing number, the answer lies in 'offshore' or non-resident trusts.

There are however five key factors to consider before establishing one, writes Paul-Joffre Esterhuizen, Business Consultant at Sovereign Trust (SA).

1. Jurisdiction – Many offshore trusts are based in tax-neutral jurisdictions, but it is critical that the offshore trust is established in a 'white-listed' jurisdiction or the benefits and the effective administration of the offshore trust may be significantly impacted. Other important factors to consider include a strong tradition of enforcing trusts, an English common law system, effective regulation and supervision, good banking infrastructure, economic and political stability, a wide network of double taxation agreements (DTAs) and good accessibility.

2. Estate planning – The practical advantages of a trust are gained from the distinction that is drawn between the formal or legal owner of property, the trustee, and those people that have the use or benefit of the property, the beneficiaries. An offshore trust is a highly effective vehicle for holding various asset classes, including the shares of a company to avoid the controlled foreign company (CFC) rules applicable from a South African tax perspective. It can also be used effectively to help families achieve a wide variety of financial planning goals, while protecting and preserving wealth on an intergenerational basis

3. Management – Assets transferred into trust are no longer considered as belonging to the settlor, so the income and capital gains generated by those assets are taxed according to the rules governing the legal owner – the trustee(s). For an offshore trust to qualify for any beneficial tax treatment in a specific jurisdiction, the trust must be managed and controlled from that jurisdiction and the trustee must be a tax resident in the jurisdiction.

4. Funding – Many different kinds of assets can be put in trust, including cash, property, shares and land. Trusts can also be funded by the settlor loaning money to the trust rather than making a gift. A loan trust is typically used for individuals who want to start estate planning, but don't feel comfortable about gifting away capital in case they may need it at some point in the future. The trustees then invest this money for the benefit of the trust beneficiaries. The settlor can demand repayment of the outstanding loan at any time – either in full or in part – but any fund growth must be used for the benefit of the trust beneficiaries. It is essential that a loan must adhere to the provisions of sections 7 and 31 of the Income Tax Act, which stipulates among other that these loans must carry interest at a market-related interest rate and be concluded at 'arm's length'.

5. Distributions – Distributions received by South African resident beneficiaries may be taxed in the hands of the recipient. The treatment of distributions of an income nature and of a capital nature differ and will need to be discussed with your tax consultant. However, South African tax implications only arise where distributions are made from the trust. Income can be retained in the trust and used for foreign investment.

The bottom line is that offshore trusts offer attractive estate planning and risk management benefits to South African tax residents – but you'd be advised to get expert advice to make the right choice.

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EUROPE

Cyprus: a reliable destination in an unreliable world

Positioned at the crossroads of the continents of Europe, Africa and Asia, Cyprus is an ideal investment gateway to the European Union, as well as a platform for investment outside the EU, particularly into the Middle East, India and China.

A full EU member state since 2004 and a eurozone member since 2008, Cyprus is a modern, cosmopolitan, transparent business centre offering investment opportunities across a wide range of sectors. The Cyprus legal system is based on English Common Law principles and is widely recognised to provide reliability in business practices.

The key advantages of Cyprus include an attractive tax system with one of the lowest corporate income tax rates in the EU, an extensive double tax treaty network, excellent ease of doing business, effective regulation, advanced infrastructure and communications, plentiful human talent and low set-up and operational costs.

Intellectual Property venue
A rapidly growing start-up ecosystem and a range of incentives make Cyprus a good platform for starting and scaling innovative and tech companies. Cyprus offers a highly efficient Intellectual Property (IP) tax regime that is coupled with the protections afforded by an EU Member State, as well as being a signatory to all major international IP treaties and protocols.

Choosing the right location for the centralisation and management of IP is a highly important commercial decision. Royalties are the payments of licence fees or commissions by one individual or entity to another for the use of IP. The aim is to generate the income arising from these rights in the most tax efficient manner possible.

Applied research is encouraged through EU or national funding and an attractive IP Box regime, while research centres are established in all major cities. The Cyprus IP Box offers an 80% income tax exemption for worldwide royalty income generated from IP owned by Cypriot resident companies, net of any direct expenses. The remaining 20% will then be subject to the standard corporation tax rate of 12.5%, to give an effective tax rate of 2.5% or less.

It is important to note that the 80% exemption also covers capital gains upon disposal of IP. This allows the owners of the IP rights not only to enjoy tax benefits on the income generated from the use of such rights, but also provides for a tax efficient exit route in the future.

Cyprus imposes no withholding taxes on payments to non-tax resident persons (companies or individuals) in respect of dividends, interest and royalties used outside Cyprus, irrespective of whether the recipient of the payment resides in a treaty country or not. In addition, the EU Directive on Interest and Royalties provides for zero withholding taxes between EU countries and Cyprus also has an extensive worldwide network of double tax treaties.

This provides for excellent profit repatriation opportunities and, when combined with the use of Cyprus companies and its IP regime, positions Cyprus as an ideal IP holding jurisdiction.

Holding Company structures
With over 65 advantageous double tax treaties, Cyprus also serves as an effective gateway to the EU and beyond. A Cyprus Holding Company structure enables an investor to receive dividends free of tax because no corporate tax is applied on dividends received by a Cyprus company and no withholding tax is applied on the payment of dividends to shareholders. Further, there is no capital gains tax in Cyprus, such that a Cyprus company holding and trading securities (shares, bonds, etc) pays no taxes on the gains.

A Cyprus company can also receive interest on loans to EU group companies with no tax and can pay interest without deduction of withholding tax, making it an ideal venue for Finance and Treasury companies.

Sovereign Trust (Cyprus) is authorised by Cyprus Securities and Exchange Commission (CySEC) as an Administrative Service Provider (ASP) and can act as your partner for investments into or from Cyprus through all stages of the investment cycle. We provide company formation and management services, together with the comprehensive advice to maximise opportunities and achieve long-term sustainability.

Tax residence in Cyprus
It's never too late to improve your quality of life and you can find all the quality you need by relocating to Cyprus. With an idyllic lifestyle, a rich culture, 340 days of sunshine a year and a convenient position in the Eastern Mediterranean, Cyprus combines a high standard with a low cost of living in a modern and well-functioning environment.

Until 2017, an individual was considered a tax resident only if they were physically present in Cyprus for more than 183 days in a year of assessment. Consequently, if an individual was physically present in Cyprus for less than 183 days in a tax year, they were not considered to be tax resident. This is known as the '183-day rule'.

As of 1 January 2017, however, Cyprus amended its tax Income Tax Law (ITL) to provide that an individual who is physically present in Cyprus for more than 60 days in a year of assessment can elect to be tax resident in Cyprus in that tax year if certain conditions are met.

The '60-day rule' for Cyprus tax residency is satisfied for individuals who, cumulatively, in the relevant tax year do not reside in any other single state for a period exceeding 183 days in aggregate and are not considered tax resident by any other state. They must also reside in Cyprus for at least 60 days, and have other defined ties with Cyprus, as follows:

- **The individual must carry out any business in Cyprus, be employed in Cyprus or hold an office (director) in a company that is tax resident in Cyprus at any time in the tax year provided that the arrangement is not terminated during the tax year.**
- **The individual must either own or rent a permanent residential property in Cyprus in the tax year.**

Individuals who are tax resident of Cyprus under the provisions of the ITL – under both the '183-day rule' or the '60-day rule' – can enjoy the stability afforded by full EU membership status, first-class healthcare, no inheritance tax, and the potential benefit of Non-Domiciled Tax Residency status, under which they will be exempt from the Special Defence Contribution (SDC) for 17 years.

This means no tax on worldwide dividend and interest income for non-domiciled individuals. Additional tax benefits include no tax on retirement gratuities, a special tax regime for foreign pension income and income tax exemptions of up to 50% for employment income of more than €100,000 per annum for up to ten years.

Cyprus offers a good stock of residential properties for sale or rent – from townhouses and apartments to villas, cottages and sea-side bungalows – and in a wide range of modern and traditional styles. With three quarters of the population concentrated into its five main cities – Nicosia, Limassol, Larnaca, Paphos and Famagusta – Cyprus offers its residents the choice to enjoy a dynamic urban lifestyle or to embrace a more relaxing way of life in the countryside villages.

Cyprus has the second highest percentage of foreign citizens in the EU, with 13% of the total population originating from other EU member states and around 7% from non-EU countries. The biggest group of expats living in Cyprus consists of British nationals, but there are also large numbers of expats from the US and Eastern European countries.

As a popular holiday destination, Cyprus is well connected to Europe's main cities, as well as to Asia and the Middle East. Flights from mainland Europe are fast, efficient and increasingly economical. By air, Cyprus is five hours from London, four hours from Frankfurt, 1.5 hours from Athens and 3.5 hours from Dubai.

EU/EEA citizens can purchase property and reside in Cyprus with no restrictions. Non-EU/EEA nationals are permitted to buy and hold the freehold in one property in Cyprus. The property can be either an apartment, house, villa on a building site or plot of land limited to no more than 4,014m2. Owning real estate in Cyprus entitles the owner to obtain a multiple-entry national visa. There is also a 'fast track' permanent residence permit for those who purchase real estate valued above €300,000.
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Roll-out of Gibraltar's 'auto enrolment' pensions regime continues

Eleven months after Gibraltar's new 'auto enrolment' pensions regime was implemented for Gibraltar's largest employers – so-called 'Enterprise' employers with over 250 staff – on 1 August 2021, the phased roll-out moved on to the second tranche of employers – 'large' employers with over 100 employees – who were required to provide a workplace pension plan for their employees by 1 July 2022.

Gibraltar's Private Sector Pensions Act 2019 was introduced to ensure that every member of the Gibraltar community, including those working in the private sector, will be financially protected in their later years. Like the 'auto enrolment' pensions regime in the UK, the Act makes it compulsory for all employers in Gibraltar to provide access to a workplace pension plan, in addition to the existing State pension, to all eligible employees. Should an employee choose to join the pension scheme, the Act also makes it compulsory for both the employer and employee to contribute a regular minimum amount – 2% of earnings – to the employee's pension fund.

Implementation of the regime was deliberately phased to give smaller employers more time to adjust to the new requirements. The next category of employers to come within scope will be 'Medium' employers (51 to 100 staff) on 1 July 2025, with 'Small' (15 to 50 employees) and 'Micro' (14 employees or less) employers to follow on 1 July 2026 and 2027 respectively.

The Gibraltar Financial Services Commission (GFSC) was appointed as Pensions Commissioner under the Act to ensure that the requirements are complied with by both employers and the administrators of pension schemes.

To assist Gibraltar employers of any size to meet their new 'auto enrolment' pension obligations, Sovereign Pension Services (SPS) (Gibraltar) can design and set up Occupational Pension Schemes that will satisfy all the criteria under the Private Sector Pensions Act.

SPS is the Rock's largest pension provider and also has the capacity and expertise to administer these pension plans on behalf of Gibraltar employers, such that clients can be assured of the maximum business benefit and the minimum business disruption.

eGaming, DLT and the growth areas of Gibraltar business

Over the past four decades, the Rock has transitioned into becoming a major financial services centre with competitive tax advantages, alongside maritime services, e-gaming and tourism, as well as potential to establish itself as a global crypto hub following the introduction of Gibraltar's Distributed Ledger Technology (DLT) regulatory framework in 2018.

Significantly, blockchain platform Valereum received regulatory approval from the Gibraltar Financial Services Commission last October to complete the acquisition of the Gibraltar Stock Exchange. The move, subject to regulatory and working capital conditions, will see the foundation of a new international network headquartered in Gibraltar with a focus on expanding access to European capital for early stage and small-cap companies in the Middle East, India and Africa.

Valereum says it expects the deal to be completed by the end of the first quarter of 2023, and also intends to launch a non-fungible token (NFT) strategy "linking real world assets via NFT ownership".

EU agreement talks continue

Banks, funds and insurance providers as well as legal and accountancy services have all grown in numbers, and an estimated 60% of online betting in the UK is processed through Gibraltar and one in six UK cars on the road are insured out of Gibraltar.

After the UK's withdrawal from the European Union at the end of December 2020, Gibraltar is no longer able to passport its financial services throughout the EU – although this represented only about 10% of its total financial services business – and talks have been ongoing between officials from the UK, Gibraltar and the EU to negotiate a new agreement to govern Gibraltar's relations with the EU.

There is no firm deadline by which an agreement on a new treaty must be reached but cooperation between Spain and the UK is required for Gibraltar's public services and economy to function effectively. The Spain-Gibraltar border is crossed every day by 15,000 workers, of which about 10,000 are Spanish, and Gibraltar's relations with Spain have been operating on ad hoc arrangements.

An 'agreement-in-principle' was reached in December last year on a deal that would see "maximised and unrestricted mobility of persons between Gibraltar and the Schengen area", the removal of the fence at the land border and the relocation of customs checks to Gibraltar's airport and port. At the start of January, Gibraltar's First Minister Fabian Picardo said that the main priority is agreements on immigration and the movement of goods.

FATF 'grey-listing'

Gibraltar is also working hard to ensure its removal this year from the Financial Action Task Force's (FATF) so-called 'grey list' of 'jurisdictions with increased monitoring' and 'strategic deficiencies' in respect of the effectiveness of its anti-money laundering and combatting the finance of terrorism (AML/CFT) regime.

Although Gibraltar is 'compliant' with 23 of the 40 FATF Recommendations, 'largely compliant' with 16 and only 'partially compliant' with just one Recommendation, it was placed on the list in June last year. The Gibraltar government has made a high-level political commitment to work with the FATF and its EU regional body MONEYVAL to strengthen the effectiveness of its AML/CFT regime.

The FATF said that, since the adoption of its mutual evaluation report (MER) in December 2019, Gibraltar had made progress on a significant number of its MER's recommended actions. These have included completing a new national risk assessment, addressing the technical deficiencies in relation to beneficial ownership-related record keeping, introducing transparency requirements for nominee shareholders and directors, strengthening the financial intelligence unit, and refining its money laundering investigation policy in line with risks.

However, the FATF said Gibraltar should continue work on implementing its action plan, including by firstly ensuring that supervisory authorities for non-bank financial institutions and Designated Non-Financial Businesses and Professions (DNFBPs) use a range of effective, proportionate and dissuasive sanctions for AML/CFT breaches; and secondly by demonstrating that it is more actively and successfully pursuing final confiscation judgements, through criminal or civil proceedings based on financial investigations.

In other words, Gibraltar has passed all but two of the FATF's recommended actions and it now has a further six months to meet all the criteria. It is expected that Gibraltar will emerge from the process with more robust and better processing systems in place than before.

"As a renowned International Finance Centre, Gibraltar is going through some challenging times when you consider the uncertainty of the future relationship with the EU, as well as the ongoing grey listing," said Nico van Zyl, Managing Director of Sovereign Trust (Gibraltar). "We remain positive about favourable outcomes on both counts and are confident that the listing will be short lived. Gibraltar is a robust IFC and always finds ways to adapt to the ever-changing business environment."

The Sovereign Group offers a first-class suite of corporate and private client services. With over three decades of experience in the Gibraltar market, we will assist you to select the most effective and efficient legal entity for your business and will then form and register that entity in Gibraltar in line with local laws and regulations.

As well as providing the necessary expertise in administering and managing companies, we offer the support to help businesses to maximise opportunities and achieve long-term sustainability, from full back-office solutions to assistance with tax and regulatory compliance. This includes bookkeeping and accounting, payroll and HR, insurance, banking introductions, pensions, intellectual property protection, obtaining local licences and permits, executive relocation and specialist tax advice.

Our Private Client services assist families and entrepreneurs around the world to structure their assets to support personal, family, commercial and charitable interests. We can advise on all aspects of the design and implementation of structures from a broad range of vehicles in Gibraltar and elsewhere, including trusts, companies, partnerships and foundations, which can be tailored to meet a client's diverse personal and business needs. Sovereign Insurance Services offers bespoke insurance solutions to companies and private clients around the world.

HNWIs and their families can benefit from substantial tax advantages if they move their residence to Gibraltar, which also serves as an attractive base for the registration of commercial and pleasure yachts and the Sovereign Marine team can assist with yacht registration and management services. Sovereign has also established Sovereign Wealth in Gibraltar as a stand-alone, fully regulated asset manager to provide services to Sovereign Group clients.
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EUROPE

Auto-enrolment arriving soon in Guernsey, with Sovereign taking a leading role

Guernsey, like many other countries worldwide, is facing a conundrum. While working people have high expectations for the quality of their retirement years, they are not necessarily achieving the levels of savings that are needed to ensure a good income in retirement.

Data from 2017 suggested that only around 35% of employed people between the ages of 16 and 65 in Guernsey were saving into a private pension – including both occupational and personal pensions – which implied that the remaining 65% intended to rely heavily on the state pension during their retirement.

While some of those 65% might have had other forms of savings or investments, many may not have any other financial provision in place for their retirement. And, with government provision likely to be harder to maintain going forward as the working population shrinks, this was a recipe for pension poverty in the future.

According to a recent report published by the International Longevity Centre-UK (ILC), almost 40% of Generation Xers – that is, UK nationals born between 1965 and 1980 – do not feel confident about planning for retirement. More than a quarter of Gen-Xers who are still working expect to either mostly or completely rely on the state pension in retirement or do not have any pension savings at all.

By contrast, Generation Z (adults born since 1997) are already poised to overtake Millennials – those born between 1981 and 1996 – in the race to be ready for retirement. Thanks to higher levels of personal engagement – but also thanks to the UK's auto-enrolment regime – Gen-Z adults are already the most likely generation to be saving into a pension, and the most likely to know how much they've saved to date.

Auto-enrolment is now a fixture of UK pensions policy. Put simply, auto-enrolment means employers must now automatically enrol employees, if they meet specific criteria, to their workplace pension scheme. Auto-enrolment contributions are made by the employee, the employer and the government.

Previously, employees had to 'opt in' to their employer's workplace pension scheme or had no employer pension provision at all. With auto-enrolment an employer sets up a workplace pension and their employees are automatically enrolled into it, although they can choose to opt out.

The legislative requirement was introduced under the UK Pensions Act 2008 and was implemented in phases. Large employers with more than 250 employees were required to automatically enrol all eligible employees into a workplace pension from 2012 and this was extended to all employers by 2018. In April 2019 the phased introduction of auto-enrolment was completed when the minimum contribution increased to 8% of qualifying earnings, with a minimum of 3% contributed by the employer.

To enable all UK employers to fulfil their obligations to provide a workplace pension without setting up their own scheme, the National Employment Savings Trust (NEST) was established. It is a government-backed workplace pension scheme for which the funds come from employers and employees paying in, and not from taxpayers. Self-employed people can also use the scheme if they'd like a straightforward way to save for their retirement.

As of March 2022, there were over 11 million NEST members and around 1 million businesses were registered with the scheme. Assets now sit at around £25 billion, and the fund is growing at around £400 million a month just due to contributions, not including investment returns.

Guernsey has been facing the same pensions issues as the UK and has now broadly adopted the same solution. Just like the UK, it has also experienced various 'bumps' in the road to delivery of its long-awaited 'Secondary Pensions' regime.

In May 2022, Guernsey's parliament voted to delay implementation of the legislation due to the worsening economic situation in the wake of the Covid pandemic. But the legislation went back to the States of Deliberation in November and this time it was approved by a large majority. Auto-enrolment will now finally arrive in Guernsey from 2024!

Like the UK, Guernsey will have a phased implementation. This means that it will apply to larger employers (26+ employees) first, and smaller employers will be phased in over the following 15 months. Smaller employers can choose to sign up sooner should they wish to. To ease the financial burden on employers and employees, the minimum contribution levels will also gradually be increased over eight years.

Guernsey intends to set up a government-backed workplace pension scheme, similar to the UK's NEST, which will be known as the 'Your Island Pension Scheme' (YIP). YIP is intended to provide a simple, accessible and low-cost solution for employers. Guernsey employers will be required to contribute at least the minimum contribution level into YIP or another qualifying pension scheme.

Following a competitive local tender exercise, Sovereign Pension Services (CI) Limited (Sovereign) was selected by the States of Guernsey to provide trustee and administration services to YIP. It is an exciting and challenging prospect. One of the foundations of our success is our pensions systems, which will provide a 'paperless' experience and allow members to self-serve their everyday needs and significantly reduce traffic to employers. It will also align better with the 'digital' generation that is now entering the workforce.

Sean Gillease, Managing Director of Sovereign, said: "We are delighted to have been selected as the YIP scheme provider. We look forward to working with the States of Guernsey and the wider public to deliver a meaningful benefit to employers and employees in the Bailiwick. Sovereign has worked with clients across various industries (not just financial services) and with businesses of all sizes; this experience should position us well to deliver this unique solution."

Sovereign will operate the scheme by providing trustee and administration services, while Guernsey-based Ravenscroft will provide the investment management service.

The 2024 launch date represents a real 'call to action' for employers in Guernsey, and given the highly competitive employment market in Guernsey, many employers are deciding to be pro-active by setting up their own pension schemes to help attract and retain staff now. Should employers wish to do so, Sovereign can assist by providing pre-approved semi-standard workplace schemes that can be introduced quickly and easily, and should employers subsequently wish to move to YIP upon its implementation they can do so.

Pensions are a long-term commitment and employers with existing pension schemes should also be reviewing their current provision to ensure that they are still fit for purpose in terms of costs, services and customer experience. There is a good chance that YIP could provide a cost-effective alternative for many local businesses.

The seismic shift of pension responsibility is now underway in Guernsey, putting employers and employees at the heart of saving for a long and happy retirement. Other countries will follow suit and the Sovereign Group is well placed to support both governments and employers.
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Isle of Man focuses on Fintech

The Isle of Man's financial and professional services sector had been able to weather the global and economic storms of 2022 and now accounts for 48% of GDP. As an island of innovation, the government's principal focus is Fintech, especially Insurtech because the insurance sector is the largest component of the Manx economy.

September saw the launch of the Insurtech Accelerator Programme, which brought a cohort of seven international scale up businesses to the island to work with the insurance community. 2023 will see the conclusion of the accelerator programme, but there is the possibility of a second cohort later in the year.

The next priority is to launch the Fintech Innovation Challenge – a collaboration between Digital Isle of Man, Finance Isle of Man and the Isle of Man Financial Services Authority.

Launched at the Digital Isle Conference in November, the FinTech Innovation Challenge is a competition inviting global participants to provide solutions to specific problems to support the growth and application of FinTech across the Isle of Man.

The Challenge aims to deliver three key objectives:

- Provide technology-based solutions to key industry challenges felt across the Isle of Man
- Demonstrate what success looks like for global FinTechs seeking opportunities on the island
- Develop the Isle of Man's FinTech ecosystem and inspire creativity and collaboration.

The Challenge will allow businesses to pursue opportunities to develop within the Isle of Man's world-leading regulatory environment, as well as encouraging collaboration with local communities to produce sustainable and innovative technologies to solve key challenges facing the financial sector.

Specifically, participants are invited to choose from a selection of three predefined FinTech Innovation Challenges – digital identity management, e-KYC and Compliance and transaction monitoring – plus a 'wildcard' option, which covers a proposed technology-based solution to an identified problem in any aspect of the financial services industry.

For businesses participating in the FinTech Innovation Challenge, it is a unique opportunity to work with government, the regulator and businesses in a leading digital hub, and scale up solutions ready for the global market.

World leader for broadband speed

As part of its Fintech push, the Isle of Man government's Economic Strategy sets out the importance of robust technology and related infrastructure, which is essential to enhancing the Island's proposition as a tech-enabled and future-ready place to live, work and invest.

It has invested significantly to support growth across existing business sectors, as well as cementing the Isle of Man's forward-looking approach to actively investing in and attracting digital-related industries.

In November it was announced that the island had overtaken the UK and Ireland and moved into the top 25 jurisdictions globally for broadband speed. The Isle of Man is now in the top 10% of 220 countries tested – the highest the Island has ever ranked on this measure.

The latest data saw the Island move 20 places into 22nd in the world, reflecting a near doubling of average broadband speeds over the last 12 months from 52.10 mps to 91.97 mps. Advanced fibre infrastructure and improved broadband speeds will allow the Isle of Man to be a hub for smart technologies.

Through its National Broadband Plan and National Telecommunications Strategy, the government is rolling out fibre broadband across the whole Island to ensure that telecoms infrastructure meets the needs of both businesses and individuals. Currently 75% of all premises have access to fibre broadband and the target is to pass 99% by 2024.

Lyle Wraxall, CEO of Digital Isle of Man, said: "Rolling out ultrafast fibre broadband to every part of the Island is a hugely important part of our national strategic infrastructure, especially now that remote working is more widespread than ever before."

Occupational pensions and employee benefits

The Island's pension regulations are robust but highly flexible, allowing corporate clients the freedom to tailor retirement solutions to the diverse demands of their operations. For senior employees where traditional pensions scheme do not meet their requirements, a company may wish to provide a bespoke pension or long-term reward arrangement.

A simple tax environment enables pension scheme members to maximise their savings and benefits. Investment income is exempt from tax if the scheme is an exempt approved scheme under applicable domestic scheme tax approval regimes and exempt from income tax if approved under applicable international scheme tax approval regimes. There is no capital gains tax applicable to investments in the Isle of Man.

There is presently no equivalent in the Isle of Man to the UK's auto-enrolment regime (this is currently the subject of a government consultation) but the provision of occupational pension schemes is common along with group personal pension plans. Membership of the occupational schemes is therefore voluntary with no specific rules regarding mandatory or minimum member contributions.

Another project in development is around employee benefits, building on the island's fantastic reputation in the international pensions industry. The Isle of Man is home to leading providers of international pension plans, like Sovereign, as well as insurance-related group protection products, employee share plans, international payroll and employee well-being specialists.

"We will continue to focus on our International and Occupational pensions offerings during 2023," said Kerry Scholes, Director of Trusts and Pensions with Sovereign Trust (Isle of Man). "This enables our scheme members to benefit both from our local expertise in the Isle of Man, as well as from our multi-jurisdictional reach within the Sovereign Group as a whole."

In August, a new branch of the International Employee Benefits Association was formed in the Isle of Man reflecting the importance of international employee benefits in the jurisdiction. The government has also established the Employee Benefits Isle of Man Cluster to promote the Isle of Man as a centre of excellence for all aspects of employee benefits.

New Trusts legislation in pipeline

Finally, the Isle of Man remains a highly favourable jurisdiction for asset protection and succession planning and serves as a base for a large number of Family Office. There has, however, been a growing consensus that the Island's trust legislation needed updating to provide a landscape that is clearer, more competitive and more reflective of common practice in the sector.

"We are delighted that a new Trusts and Trustees Bill was finalised last year," said Scholes. "The draft was introduced into the House of Keys for first reading last June and we expect that the legislation will be approved and passed in 2023. The Act will provide greater clarity, certainty and convenience to users of Manx trusts and local trust practitioners."

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Malta launches Corporate Governance Code for Authorised Entities

The Malta Financial Services Authority (MFSA) launched a new Corporate Governance Code for MFSA-authorised entities last August. Corporate governance ensures that businesses have appropriate decision-making processes and controls in place so that the interests of all stakeholders – shareholders, employees, suppliers, customers and the general public, as well as with the jurisdiction as a whole – are balanced.

Governance at a corporate level is effectively a toolkit that enables management and the board to deal more effectively with the challenges of running a company. It identifies who has power and accountability, and who makes decisions, and is concerned with the practices and procedures for ensuring that a company is run in such a way that it achieves its objectives.

Good corporate governance is conducive to value creation for all stakeholders, ensuring the financial soundness of firms, the protection of investors, as well as the integrity of the market. It is also considered a key enabler for entities to generate business benefits, shareholder value and higher trust, enhancing their strategic competitive advantage.

The Code provides a set of guiding principles that are designed to enhance the legal, institutional and regulatory framework for good governance and are applicable to all unlisted entities authorised by the MFSA across all sectors. They are to be applied on a 'best effort basis' and are organised into four main sections:

- The Effective Board
- Internal Controls
- Stakeholder Engagement
- Corporate Culture, Corporate Social Responsibility (CSR) and Environmental, Social and Governance (ESG)

The MFSA believes that this approach will ensure efficacy and proportionality in the Code's application and is in line with corporate governance policies and approaches advocated by international bodies such as the European Commission and OECD.

The Code will also serve as a benchmark for future policy alignment in evaluating any changes that may be required in the MFSA Rules and existing codes and guidelines, with an overall aim of retaining a balance between prescriptive regulation and 'soft law', applicable to the various entities.

"Quality leadership is essential to performance," said Sovereign Trust (Malta) Managing Director Stephen Griffiths. "The Board's primary role is to set the strategy and to provide leadership for the entity, directing and supervising its affairs, enabling it to meet its strategic and sustainable aims, and enhancing value for shareholders. Directors are also expected to provide leadership, integrity and judgment in directing the entity, both collectively and individually.

"This is particularly relevant because it is something that our regulator asks about during site inspections. The MFSA is interested to see what we discuss at board meetings and how decisions are made by the board on a day-to-day basis. We have been working to make our board meetings more informative and have recently included members of the administrative team to present reports to the board. The information flow from board to staff has also been improved over the past months as well as our documentation regarding policies and procedures."

Malta saw a step up in regulatory activity during 2022 as the island sought to meet the recommendations of the Financial Action Task Force's (FATF) and ensure its removal from the FATF's 'grey list' of countries subject to increased monitoring in respect of strategic deficiencies in their anti-money laundering and combatting the financing of terrorism (AML/CFT) regimes.

When Malta was first listed in June 2021, the government made a high-level political commitment to work with the FATF and MONEYVAL – the Council of Europe's permanent monitoring mechanism – to strengthen the effectiveness of its AML/CFT regimes. In the event Malta was on the grey list for only one year. Following an on-site visit last April, the FATF took the decision to delist the island during a plenary meeting on 17 June.

"Given its central Mediterranean location, wide use of English language in business and its favourable tax regime, Malta is a highly effective base for foreign direct investment into Europe," said Griffiths.

"The FATF grey listing over the past 12 months has been a setback, but the work done to remedy the situation has only served to strengthen Malta's regulatory regime and ensure that it remains an attractive jurisdiction for foreign direct investment and for business looking to establish or headquarter their business in Europe."

Sovereign Pension Services in Malta

2022 also saw Sovereign Pension Services Limited (SPS) celebrating ten years as an award-winning international pensions provider based in Malta.

From small beginnings in 2012 when Sovereign first opened a pensions' office in Valletta with five employees, SPS has grown to a headcount of 24 and assets under management of more than £726 million. Now known as one of the largest providers and administrators of Qualifying Recognised Overseas Pension Schemes (QROPS) in Malta, SPS boasts an array of products suitable for a broad range of international and local clients.

Our growth has been achieved both organically and by acquisition; SPS acquired the Elmo International Retirement Plan and Elmo US Retirement Plan from Elmo Pensions Ltd in 2021 and this year added the Azure Retirement Benefit Scheme from Integrated-Capabilities (Malta) Ltd (ICML). SPS has also received an occupational scheme licence from the Malta Financial Services Authority (MFSA) to operate occupational schemes within Malta's domestic market in 2020.

To accommodate this growth, SPS relocated from Birkirkara to larger, centrally located offices in St Julian's in 2020. With Malta set to further enhance the tax incentives for private retirement planning, SPS is ready to be at the forefront of the occupational scheme market and work with local stakeholders to introduce occupational pension schemes for their employees.

"We aim to position Sovereign as the leader in retirement benefit provision in the local market and to become the trusted partner for employers in Malta," says SPS Managing Director Cristina Cassar Difesa who has been with the firm from day one. "It is not just ten years of a profitable business, but ten years of being at the forefront of pension services and putting our clients first when it comes to retirement planning.

"We are actively recruiting in Malta. We have a great culture that reflects Sovereign's brand and values and I want to thank all members of the SPS team. Without them, SPS could not have achieved the success we have had. I'd also like to thank our introducers, who have believed in our products and consistently recommended our services to their clients."
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EUROPE

US becomes top source of applicants for Portugal's Golden Visa

The social and economic disruption caused by the Covid pandemic and the global lockdown that followed has helped to trigger, or accelerate, a number of different trends worldwide. Among these are that interest and investment in alternative residence and citizenship options amongst high-net-worth individuals (HNWIs) has grown to an all-time high. There is also a growing class of remote workers who are no longer tied to working from a specific geographic location.

There are many good personal or business reasons for this shift in attitude. High-net-worth families have become more globalised, with many younger members choosing to be educated or to live and work abroad. Alternative residence and citizenship are seen as a hedge against restrictions on the free movement of persons and capital, and an effective way to achieve geographic and economic diversification.

In the wake of the global lockdown, it is not surprising that investors are focused on futureproofing themselves and their families. If these individuals have money to invest then it makes sense to do so in countries that will give them formal status in return, and there are a growing number of countries that are looking to encourage immigration by either granting residency that can lead to citizenship – often known as 'Golden Visas' – or by granting citizenship itself in return for investment.

Residence by investment programmes provide an opportunity to legally acquire a new place of residence, quickly and simply and with minimum disruption to your life. The key drivers for investors are generally mobility, security, quality of life, healthcare and education, as well as tax, retirement and succession planning.

Portugal is the leading destination for individuals and families seeking residence in the European Union and, in the first half of 2022, the US overtook China for the first time to become the largest state of origin for successful applications under Portugal's Golden Visa programme.

"Portugal has much to offer US investors and is even becoming known as the 'New California'," said Shelley Wren, Head of Business Development at Sovereign Portugal. "In addition to a stable political and social environment, clear and transparent tax rules, good infrastructure and first-class education and healthcare systems, it boasts a warm climate, a spectacular coastline and interior, strong historical and cultural legacies, excellent food and wines, and a relaxed lifestyle.

"Add to this an attractive package of benefits for expats and visa-free access throughout the 26 Schengen Area countries – and all for as little as €350,000 invested – and you begin to see why Portugal combines a very high quality of life with a relatively low cost of living. After five years of living in Portugal, investors can also apply for permanent residency and then citizenship in Portugal."

First introduced in 2012, the 'Golden Visa' is a residence permit that provides qualifying non-EU citizens and their families with full rights to live, work and study in Portugal in exchange for a minimum €350,000 investment in qualifying real estate or €500,000 in an approved local venture fund. An alternative is the D7 Visa, which provides residency status to non-EU citizens, including retirees, who intend to relocate to Portugal and are in receipt of a reasonable and regular passive income.

It's a menu that has attracted thousands of investors worldwide. Portugal also offers the special Non-Habitual Residency (NHR) tax regime, which enables qualifying entrepreneurs, professionals, retirees and high-net-worth individuals to enjoy reduced rates of tax on Portuguese-source income, while most foreign-source income is exempt from Portuguese taxation, for a decade. This does not, however, apply to US citizens whose worldwide income is subject to US income tax, regardless of where they live.

"The Golden Visa has very low minimum stay requirements, averaging just seven days per year over the five-year visa term, so it allows holders to maintain their residency and build towards citizenship without disrupting their lives," said Wren. "The D7 Visa is aimed at those who intend to live in Portugal, so holders must spend six consecutive months or eight non-consecutive months per year in Portugal. However, the income bar is very low because it is tied to Portugal's minimum wage of €8,460 per year."

There may be no better time for Americans interested in moving to Portugal. A strong dollar relative to the euro, more remote work options, cheaper real estate and lower living costs mean it can be a more affordable option than staying at home in the US. And after living through the Covid travel restrictions, many people want the flexibility that an alternative residence can offer.

"But applicants must be aware that establishing residency is a five-year process and involves a significant commitment," said Wren. "They need to ensure that they take expert advice on the investment options, their Portuguese and worldwide tax obligations and how best to structure their existing assets before they take up residency. Sovereign has been in Portugal for more than three decades now, so we know what we are doing, and we will be here for you over the long term."

There has also been a seismic shift in the way the world works, with remote and flexible working becoming the norm during the Covid pandemic. Once organisations learn how to effectively manage and motivate remote employees it is likely that this type of employment will increase. And many countries are now trying to attract these 'digital nomads' with programmes inviting them to settle abroad and work remotely.

Last October Portugal introduced a new one-year 'Digital Nomad Visa' to enable remote workers to live and work in the country for up to 12 months, but without a long-term commitment. It will also allow holders to travel visa-free within the Schengen Area.

Officially called the "residence visa for the exercise of professional activity provided remotely outside the national territory", it is specifically designed to accommodate working professionals who are looking to relocate on a temporary basis. Remote workers will either be able to apply for a temporary short stay visa for up to one year or a Portuguese residency permit that can then be renewed for up to five years.

To qualify, applicants must be non-EU/EEA/Swiss citizens, who are self-employed or employed by a company that is based outside Portugal, and earning at least €2,800 per month – four-times Portugal's minimum wage. Applicants are required to show proof of income for the last three months and must submit tax residency documents and either a contract of employment or proof of self-employment.

"Portugal continues to attract foreign investment via its more established visa programmes and fund managers continue to launch new products to suit the appetite of global investors," said Wren. "The property market is also proving to be resilient. Despite the headwinds of higher interest rates from the European Central Bank, the supply and demand imbalance continues to push prices higher. The Portugal office is seeing strong growth and we are continuing to expand our footprint in new markets by making our first trip to visit clients in the US in February of this year."

Whichever form of residency you choose in Portugal, Algarve-based Sovereign Consultaria Lda can assist with Tax Office registrations, Fiscal Representation in Portugal and making claims for tax relief under double taxation agreements (DTAs). First established in 1999, Sovereign's highly experienced, client-focused team provides a full suite of private client and corporate services to those who intend to or have already established residency in Portugal.

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40% of UK Overseas Entities fail to register their beneficial ownership in time

The deadline for registration under the UK's new Register of Overseas Entities (ROE) expired on 31 January. As of 1 February, the UK government announced that only 19,510 out of a total of 32,440 registered overseas entities had declared their beneficial owners before the deadline expired.

Unregistered overseas companies are now automatically barred from registering ownership of any new land by HM Land Registry and are also barred from selling or transferring existing property or land in the UK.

The ROE, which was introduced last August under the Economic Crime (Transparency and Enforcement) Act 2022, is held by Companies House and requires all Overseas Entities that own land or property in the UK to declare their registrable beneficial owners (BOs) or managing officers (MOs).

The registration requirement is limited to 'Overseas Entities', defined as legal entities governed by the law of a country or territory outside of the UK. 'Legal entity' is defined as a body corporate, partnership or other entity that is a legal person under the law by which it is governed.

The registration requirement applies if the Overseas Entity is – or is proposing to become – a registered proprietor of a 'Qualifying Estate' in the UK. A 'Qualifying Estate' is a freehold estate – or leasehold estate for a term of more than seven years – that was acquired on or after 1 January 1999 in England and Wales, on or after 8 December 2014 in Scotland and on or after 1 August 2022 in Northern Ireland.

Overseas Entities that currently own a Qualifying Estate in the UK were required to register with Companies House and disclose their BOs or MOs by 31 January 2023. Overseas Entities that have recently disposed of a Qualifying Estate in the UK – on or after 28 February 2022 – were also required to register by this deadline.

Louise Smyth, chief executive of Companies House, said: "We cannot be clearer in our message to these entities; if you ignored warnings and fail to register before the deadline, you will face consequences. This includes not only the prospect of restrictions on your land or property but also a possible fine, prison sentence, or both."

Failure to register is a criminal offence and any officers of the entity who are responsible for committing the offence can be prosecuted. It is also a criminal offence to deliver false or deceptive information to Companies House. There are severe financial penalties for non-compliance, as well as restrictions on buying, selling, transferring, leasing or charging land or property in the UK.

Any filings on the ROE must be verified by an authorised agent of Companies House. Sovereign Corporate & Trustee Services Ltd (SCATS) is an authorised agent of Companies House and is therefore authorised to verify ROE filings. An authorised agent is further required to verify annually that the details registered are correct.

"Sovereign's comprehensive ROE service offering will ensure that any Overseas Entity that owns or leases in-scope UK real estate is properly registered on the ROE and in compliance with the ROE rules on an ongoing basis," said Managing Director at SCATS.

"Even though the deadline to register on the ROE has now passed, those entities that have failed to file need to act fast to rectify the situation and mitigate the financial and criminal sanctions that they will now face."

New Companies House identity verification regime

The UK Companies Registrar is also soon to require that all individuals who register companies or file with the Registrar must prove who they are by verifying their identity. This will apply to all new and existing registered company directors, Persons with Significant Control (PSCs) and anyone else filing with the Registrar.

The move, introduced via the Economic Crime & Corporate Transparency Bill 2022, is intended to make it more difficult for fraudulent appointments to reach Registrar and to enhance corporate transparency. It will also provide greater assurance to businesses of all sizes when they consult the Companies House to research potential suppliers and partners.

The verification process will apply to most existing companies that are registered at Companies House, as well as to new registrations going forward. For existing companies, there will be a transition period to give existing directors and PSCs time to comply with the new requirements, whilst ensuring the integrity of data already on the register.

The identity verification process is designed not to add significantly to the existing requirements on businesses and allows for two procedures:

- Direct verification via Companies House
- Indirect verification via an Authorised Corporate Service Provider (ACSP)

If a person is verifying their identity directly with Companies House, the process will link a person with a primary identity document, such as a passport or driving licence. Identity verification checks undertaken by a ACSP will achieve the same level of assurance with ACSPs required to declare that they have completed all the necessary checks when they interact with Companies House.

Identity verification of directors must take place before any application for the formation of a company is submitted to the Registrar. Post-incorporation, the identity of any new director should be verified as soon as possible and before their appointment is notified by the company to the Registrar.

Individual PSCs will have a 14-day period after registration in which to verify their identity. For Relevant Legal Entities this period will be 28 days. Relevant Legal Entities will also need to provide the name of their verified relevant officer. Anyone wishing to file documents with the Registrar will also need to verify their identity before they are permitted to do so.

A transition period will provide existing companies with a set amount of time to comply with the new requirements. Those that do not comply by the end of the period may face criminal sanctions or civil penalties. Individuals who fail to comply will further be classified as 'unverified' on the Register and will be prohibited from acting as a Director.

For directors (or their equivalent) of an ACSP, there will also be a new offence of failing to notify the Registrar of changes to their supervisory body or bodies within a period of 14 days after the change.

ACSPs will need to confirm that they are registered with a supervisory body for anti-money laundering (AML) purposes and have an existing obligation to carry out customer due diligence checks before they are allowed to form companies or registerable partnerships, or to file on their behalf. Under AML regulations, all ACSPs are required to retain records and the Registrar can request further information on identity verification checks if necessary.

SCATS is a UK-regulated agent that is currently permitted to undertake verification checks on all beneficial owners and managing officers of overseas entities. It anticipates also being recognised by the Registrar as an ACSP under the new regime. We will, of course, update you further when Companies House provides more information.

The proposed measures require new secondary legislation and guidance, as well as system development, under the Economic Crime & Corporate Transparency Bill, which entered Parliament last November. Subject to Parliamentary approval, Companies House has indicated that it expects the Bill to receive Royal Assent in Spring of 2023.

In parallel with this Bill, the Government is also to bring into force its existing powers to restrict the use of corporate directors. It will be made explicit that only corporate entities with 'legal personality' will be properly appointable as corporate directors and that all directors of such entities will be required to be natural persons that have been subject to an appropriate identity verification process.

Companies with corporate directors will be given 12 months to comply; within such time they must either ensure their corporate director is compliant with the conditions or resign them. New companies or companies appointing a corporate director must ensure they satisfy the conditions from the date this measure comes into force.

For further information on the Register of Overseas Entities (ROE) or the new Companies House identity verification regime, please contact Stuart Stobie by email to **SStobie@SovereignGroup.com and by telephone on +44 (0)7800 871507.** ■

MIDDLE EAST

The Sovereign Business Hub Bahrain

Sovereign Trust Consultancy (Bahrain) WLL has launched the Sovereign Business Hub, a new incubator that is designed to increase the successful development of new businesses, job creation and employment in specific sectors that are aligned with the Kingdom of Bahrain's unique areas of opportunity.

Approval in principle was received from the Ministry of Industry & Commerce (MOIC) last September and work on construction and fitting out the physical space was completed prior to the Hub's opening in December.

The aim of the Business Hub is to inspire, motivate and incubate small businesses and start-ups with innovative products and services in Bahrain by providing a platform for entrepreneurship and a centre of excellence for business collaboration. This will lead to job creation, economic diversification and technological commercialisation in Bahrain, while encouraging business retention in the Bahraini community and enabling Bahrain-based firms to have a regional and global impact.

Bahrain is one of the most open economies in the Middle East and North Africa (MENA) region and is well positioned to provide investors and start-ups access to regional and international markets. Government efforts focus on encouraging foreign direct investment (FDI) in the manufacturing, logistics, information and communications technology (ICT), financial services, tourism, health and education sectors.

Bahrain maintains a business-friendly approach to attracting foreign investment and aims to foster a greater role for the private sector to promote economic growth. In most sectors, Bahrain permits 100% foreign ownership of a business or branch office and has no tax on corporate income, personal income, wealth, capital gains, withholding or inheritance. Bahrain has no restrictions on repatriation of capital, profits or dividends.

The Sovereign Business Hub is seeking entrepreneurs and start-ups that want to embrace the 'incubator' model, which is designed to:

- Build a positive space in Bahrain to incubate and support innovative ideas to promote employment
- Create opportunities promoting job and wealth creation for aspiring entrepreneurs and start-ups in Bahrain
- Offer necessary support and facilities for start-ups and to promote technical ventures in Bahrain
- Provide the global network and exposure that so many entrepreneurs and start-ups desire but few can access, giving them the best opportunity to have a local, regional and global impact.

"Every great idea requires experience, insight and expertise to put it into action. However, many early-stage start-ups have limited knowledge in crucial areas that prevents them from growing their business, refining their value propositions or finding opportunities for collaboration, market access and funding," said Nabil Khoury, Managing Partner of Sovereign Trust Consultancy.

"Incubation is a highly flexible combination of business development processes, infrastructure and people, designed to nurture and grow new and small businesses by supporting them through the early stages of development and change. It can be used to prove an idea, develop a team and de–risk ventures for later–stage investors."

Specifically, the Sovereign Business Hub will provide start-ups with physical space, available on flexible terms, with advanced Information and Communications Technology (ICT) capacity. It is situated in the Kanoo Tower, a 24-storey commercial building in the heart of Bahrain City.

In addition, the Hub will offer access to business guidance, counselling and mentoring via a panel of successful and inspirational experts who are committed to sharing their knowledge and working with entrepreneurs towards developing strategies for success.

It will also provide workshops and programmes for vocational and technical skills training and development, together with regular networking and marketing events and assistance with business planning.

"Our mission is to inspire, motivate and incubate small businesses and start-ups with innovative products and services in Bahrain by providing a platform for entrepreneurship and a centre of excellence for business collaboration," said Khoury.

"We will provide clients with the best possible working environment in which to achieve their goals and to collaborate together with other start-ups in our Business Hub ecosystem. The Sovereign Business Hub is designed to increase the successful development of new businesses, job creation and employment in specific sectors that are aligned with the Kingdom of Bahrain's unique areas of opportunity.

"We will look for entrepreneurs and start-ups that want to embrace the 'incubator' model and are looking to collaborate, not only with their fellow businesses in the Sovereign Business Hub in Bahrain, but also with other businesses in Sovereign's global network."

Sovereign provides comprehensive advice and support to investors and start-ups to set up their operations in Bahrain in the right way. Bahrain offers a range of vehicles through which to do business – the choice will be governed by the nature and size of the business, as well as the requirements of the investors. All types of Bahraini company give the shareholders or the directors a Residence Permit.

The most common vehicle in Bahrain is the With Limited Liability Company (WLL). Investors who set up a company in Bahrain can take 100% foreign ownership, regardless of whether the company is a WLL, a partnership, a branch or a representative office. Exceptions to 100% foreign ownership are companies that engage in reserved business activities and public shareholding companies in which foreign investors are restricted to a maximum 49% stake.

Sovereign Trust Consultancy (Bahrain) will further provide the administrative support to maximise opportunities and achieve long-term sustainability, from full back-office solutions to assistance with tax and regulatory compliance. This includes PRO services, accountancy, human resources, pensions, insurance, trademark and intellectual property (IP) protection, obtaining local licences and permits, executive relocation and specialist tax advice.
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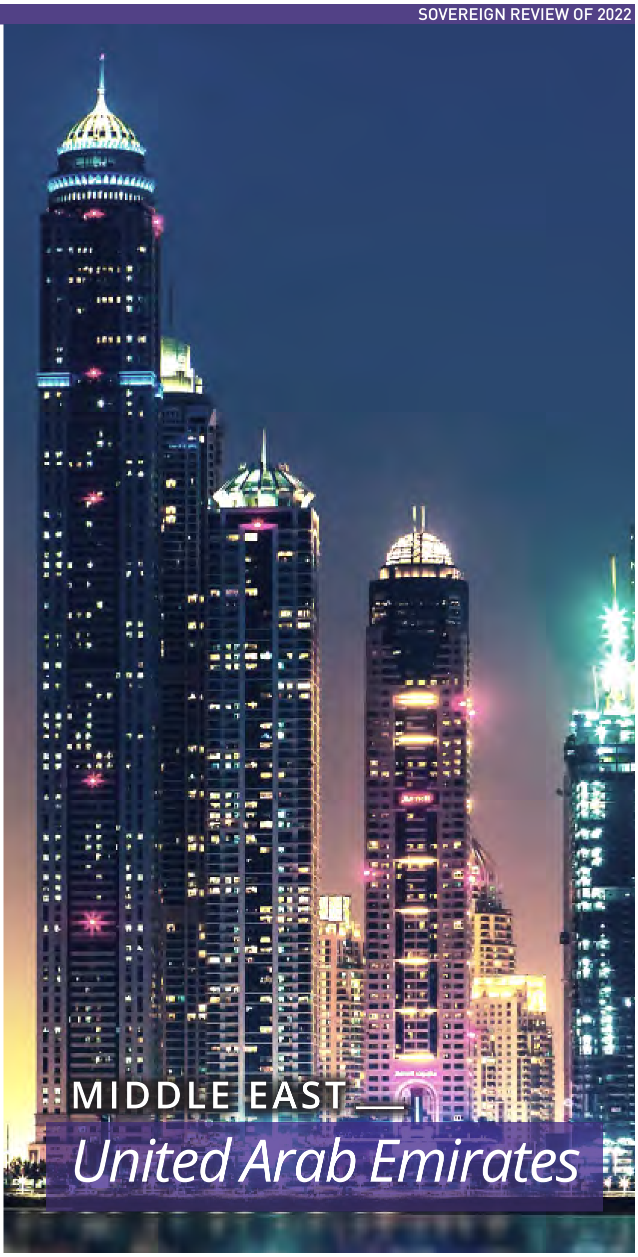

Sovereign expands as UAE introduces federal corporate tax

2023 promises to be an exciting year for Sovereign Group in the Middle East and Africa region following our acquisition, last May, of PRO Partner Group (PPG), one of the foremost company formation and corporate services providers in the GCC.

This strategic acquisition combines the regional strength of PPG in the UAE, Qatar, Oman and Saudi Arabia with the global reach of Sovereign Group to deliver tangible benefits and opportunities to clients and staff of both parties. It also brings our headcount across with whole of the Middle East and Africa to almost 200, making us one of the best resourced corporate service providers in the MENA region.

PPG provides security, efficiency and local knowledge to international corporations and investors looking to set up within the GCC, while Sovereign offers integrated advice, products and services to internationally mobile businesses and people that have complex needs.

2023 also promises to be a busy year. The UAE is set to introduce a federal corporate income tax (CIT) regime for the first time in June. This is big step on the road for the UAE to achieve its strategic objectives in terms of its economic development and transformation, while also complying with new international standards on business taxation.

Under the regime, CIT will be levied at a rate of 9% on business profits exceeding AED375,000 and will apply from financial years starting on or after 1 June 2023 to both resident and non-resident companies. It was brought into force by Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses on 9 December.

"Following the recent relaxation of the UAE's foreign ownership legislation, modernising the corporate tax regime was the next logical step in aligning with new global standards," said Simon Gordon, Managing Director of Sovereign Corporate Services. "The introduction of a corporate tax regime should help the UAE achieve its strategic ambitions and incentivise businesses to establish and expand their activities in the UAE.

"It's very encouraging to see that SMEs and strategic Free Zone companies will remain exempt, or partially exempt in some circumstances, from the new tax rate, but a base rate of 9% is still highly attractive for international investors and corporations. It should be noted that all these details may be subject to change pending the issue of guidelines prior to implementation on 1 June."

UAE businesses will be subject to CIT on their worldwide income. However, dividend income and capital gains will be exempt, subject to meeting the conditions of the participation exemption. The Law provides a foreign branch profits' exemption that applies where such profits have been subject to tax overseas at a rate of at least 9%. Foreign tax credit will be also available for taxes paid overseas on forms of income that are not exempt from UAE CIT.

All UAE established businesses, including limited liability partnerships, are within the scope of the UAE CIT framework, but limited partnerships, general partnerships and other unincorporated vehicles will be treated as transparent for CIT purposes.

Individual UAE residents who are subject to CIT will be taxable only on the income earned from business activities undertaken in the UAE. Non-resident individuals will be subject to CIT on any taxable income that is attributable to a permanent establishment (PE) or 'nexus' in the UAE, or any income that is considered UAE-sourced income.

Although Free Zone entities will be in scope of the new CIT regime, businesses established in free zones can still benefit from 0% tax rate on qualifying income that is generated from outside the UAE or from other free zone entities, subject to satisfying certain conditions such as maintaining adequate substance. The income of a mainland branch of a free zone entity will be subject to UAE corporate tax, but passive income generated by a free zone entity from mainland entities will be exempt.

The UAE CIT regime is designed to ensure that the compliance burden is kept to a minimum for businesses that prepare and maintain adequate financial statements. Businesses will only need to file one CIT return per financial year and will not be required to make advance tax payments or prepare provisional tax returns.

Alongside the new CIT regime, the UAE will also implement Transfer Pricing (TP) rules in line with the OECD TP Guidelines and will introduce periodic TP reporting obligations.

Visa rules relaxation

The UAE government has also introduced new visa rules that are designed to strengthen the UAE's position as an ideal destination to live, work and invest, and to attract and retain top talent. The regulations dramatically reduce the investment amounts required and extend the benefits of the long-term visas to immediate family members.

The UAE first started granting five and ten-year renewable visas in 2019 to enable expatriates to live, work and study in the UAE without requiring a national sponsor and without any minimum stay requirement. Under the new rules, the UAE Golden Visa will grant ten-year residence to investors, entrepreneurs, exceptional talents, scientists, professionals, outstanding students and graduates, humanitarian pioneers and frontline heroes, who meet certain eligibility parameters.

Real estate investors will be able to obtain a Golden Visa if they purchase a property, or one or more off-plan properties from approved local real estate companies, with a minimum value of AED2 million (USD544,500). Previously the investment threshold was AED10 million (USD2.725 million). Investors are also permitted to purchase property via a loan from specific local banks.

Qualifying entrepreneurs must own or be a partner in a start-up registered in the UAE that generates annual revenues of at least AED 1 million (USD272,000). Alternatively, they are required to obtain approval for a start-up idea from an official business incubator or a competent authority, or have founded a previously approved entrepreneurial project that was sold for at least AED7 million (USM1.9 million).

Professionals in all disciplines – including medicine, sciences and engineering, information technology, business and administration, education, law, culture and social sciences – will also be eligible, provided they have a valid employment contract in the UAE, are classified in the first or second occupational level under the Ministry of Human Resources and Emiratisation (MOHRE) classification, have at least a Bachelor's degree or equivalent and receive a monthly salary of at least AED30,000 (USD8,200).

Qualifying scientists and researchers are required to demonstrate high achievements and influence in their field based on the recommendation from the Emirates Scientists Council. Applicants must have a PhD or a Master's degree in the disciplines of engineering, technology, life sciences or natural sciences, as well as "substantial research achievements".

Qualifying 'exceptional talents' will be talented individuals in culture, art, sports, digital technology, or inventors and innovators in other fields. Awards will be based on talent only, based on the recommendation or approval of a federal or local government entity, regardless of educational qualifications, employment status, monthly salary or professional level.

Outstanding students and graduates will be high-performing students in UAE secondary schools, outstanding graduates from UAE universities or the top 100 universities worldwide, according to specific criteria that includes academic performance (cumulative average), year of graduation and the university classification.

In addition to securing their stay in the UAE for a period of ten years, the new rules will allow a Golden Visa holder to sponsor their family members, including spouse and children regardless of their age, and to sponsor unlimited domestic staff.

The previous physical presence requirements to maintain a Golden Visa have also been removed, and family members will be permitted to stay in the UAE until the end of their permit duration in the event of the death of the primary visa holder.

"The Golden Visa offers a self-sponsored solution to investors, entrepreneurs, professionals and exceptional talents to live and work in the UAE without being tied to a particular employer," says Gordon.

"It also provides more flexibility to 100% foreign-owned businesses who may experience difficulties in hiring without a local partner or sponsor. We had started to see companies offering Golden Visa status to long-serving employees as a retention incentive. Now, after these changes, it will also become the tool to attract talent to the UAE."

As part of huge changes to the visa system, the UAE has also introduced a new 'Green Visa' that allows freelancers or self-employed individuals and investors or partners in commercial businesses, as well as highly skilled workers to live and work in the UAE for five years without the need for company sponsorship, as well as offering an array of benefits to family members.

The UAE green visa will allow the holder to obtain residency permits for children, spouses and first-degree relatives. Green visa holders will also be able to sponsor sons up to the age of 25 and daughters regardless of their age.

The overstay period will also be extended, and once a green visa is cancelled or expires, holders will have up to six months to stay in the UAE. Those looking to acquire the UAE green visa from overseas will be eligible for a 60-day entry work permit to come and complete the application on arrival in the emirates.

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MIDDLE EAST

Sovereign PRO Partner Group Saudi Arabia

Sovereign PRO Partner Group (Sovereign PPG) is a leading corporate services provider in the Saudi market. Based in Riyadh, Sovereign PPG offers expertise, efficiency and transparency to international businesses and investors seeking to set up in Saudi Arabia, as well as providing the essential ongoing support services to ensure their commercial success in the Kingdom of Saudi Arabia (KSA).

Saudi Arabia's Vision 2030 economic diversification initiative, launched in 2016, is a paradigm shift from a public sector-driven economy to one that will be driven by the private sector as the main engine for economic growth and job creation.

Vision 2030 political, institutional, and financial reforms coupled with significant investment by Saudi Arabia's Public Investment Fund are generating opportunities for foreign companies across industry sectors – particularly the 'giga-projects' of NEOM, Qiddiya, Amaala, Red Sea, and Diriyah Gate – as well as in defence, ICT, renewable energy, mining and minerals, health, education, infrastructure, entertainment and tourism.

As part of Vision 2030, the Ministry of Investment (MISA) and the Royal Commission for Riyadh City have jointly developed a Regional Headquarters (RHQ) Programme, which aims to attract multinational companies to establish their regional headquarters in the KSA. The government also announced its intention to cease contracting with companies that do not have their RHQ situated in KSA.

On 27 December 2022, the KSA Council of Ministers issued a resolution approving the 'Regulations of Government Agencies Contracting with Entities that do not have a Regional Headquarter in KSA and their related parties'. These Regulations are to come into effect on 1 January 2024 and will prevent all government agencies, when carrying out their works and securing procurements, from contracting with companies that do not have a RHQ in the KSA.

The Regulations define companies that do not have a RHQ in the KSA as "foreign companies that do not have a RHQ in the KSA and have a RHQ in the Middle East and North Africa Region and are included in the list to be prepared and maintained by MISA."

The Regulations also restrict government agencies from contracting with any related parties to those companies that do not have their RHQ in the KSA. The Regulations define a related party as any agent for companies that do not have a RHQ in the KSA, or any distributor, supplier or provider of their goods or services with respect to those goods and services.

MISA is being tasked with preparing a list of names of companies without a RHQ in the KSA and maintaining this list on an online portal.

A large number of multinational companies (MNCs) have now received licences to move their regional headquarters to Riyadh. Through the RHQ programme, these MNCs have direct access to the local economy. The programme also provides direct and indirect benefits for Saudi nationals, residents and businesses, by creating local employment opportunities.

Fahd Al-Rasheed, CEO of the Royal Commission for Riyadh City (RCRC), said: "The RHQ companies will bring new expertise, research and development, as well as innovation in a wide range of sectors, resulting in knowledge transfer in the medium to long term, and improvement in the local talent pool. By 2030, the programme will contribute USD18 billion to the local economy and create around 30,000 new jobs."

"As an attractive city for MNCs, their employees, and their families to relocate, Riyadh is at the centre of the regional headquarters attraction programme of multinational companies. We are undergoing a rapid transformation, as we look to double the city's population and increase its economic footprint threefold by 2030. Four mega projects in the city are in progress to considerably advance quality-of-life rankings globally."

According to the new guidance, an RHQ is defined as "a unit of a multinational group that is duly established under the laws of Saudi Arabia for the purpose of supporting, managing and providing strategic direction to its branches, subsidiaries and affiliates operating in the MENA region."

It will act as the centre of administrative power for the multinational group over the MENA region and is required to have at least two subsidiaries or branches located in two different countries other than Saudi Arabia and its country of incorporation.

An RHQ is not intended to conduct any commercial (revenue generating) operations. Any commercial activities in Saudi must be conducted by group affiliates holding a valid Service, Commercial or Industrial Licence, or any MISA licence suitable for commercial operations.

An RHQ must provide mandatory RHQ Licence activities and at least three of the optional RHQ Licence activities to branches, subsidiaries and/or affiliates within the multinational group.

Mandatory RHQ Licence activities can include 'strategic direction' or 'management functions', while the list of optional RHQ Licence activities includes:

- Sales and Marketing Support
- Human Resources and Personnel Management
- Training Services
- Financial Management, Foreign Exchange and Treasury Centre Services
- Compliance and Internal Control
- Accounting
- Legal
- Auditing
- Research and Analysis
- Advisory Services
- Operations Control
- Logistics and Supply Chain Management
- International Trading
- Technical Support or Engineering Assistance
- Network Operations for IT System
- Research and Development
- Intellectual Property Rights Management and Production Management
- Sourcing of Raw Materials and Parts

A multinational group is required to start RHQ operations within six months of its licence being granted and should establish at least three 'optional activities' during the first year of the licence operation. An RHQ is also required to have 15 full-time employees within the first year, of which at least three must be at a corporate executive level – CEO, CFO, vice-president etc.

A unit of a multinational group that is duly established as an RHQ under the laws of Saudi Arabia will enjoy the following benefits:

- ten-year exemption from 'Saudization' regime, which is focused on creating and sustaining jobs for Saudi National citizens.
- Spousal work permits and the age of dependants extended to 25-years-old
- Waiver of Professional Accreditation rules
- Visa limit exemption and issuance acceleration
- End-to-end services (Business, Personal and Concierge)
- Government Tendering
- KAFD SEZ with additional incentives (estimated Q1 2022)
- Government tendering after 2024

Additional incentives will be available for RHQs established in the King Abdullah Financial District (KAFD) special economic zone from Q1 2022. The KAFD SEZ, which is to offer one million m2 of office space across 65 buildings, will be the centre for RHQs of all major Saudi companies and banks.

Our physical presence in the Kingdom, together with our strong regional presence across the Gulf Cooperation Council (GCC) states – Dubai, Abu Dhabi, Bahrain, Doha and Muscat – and our global office network spanning Europe, Asia and Africa, has enabled us to assist businesses from five continents to set up and deliver on their commercial plans in the Saudi market. Sovereign PPG's key services include:

- Government liaison and Government Relations Officer (GRO) support
- Company incorporation and secondary licensing
- Labour and Immigration
- Company Secretarial
- Payroll
- Accounting
- Structuring and resourcing

Sovereign PPG is committed to Saudi's National Transformation Programme, which aims to develop the necessary infrastructure and create an environment that enables the public, private and non-profit sectors to achieve the Kingdom's Vision 2030. We continue to invest in our operations across the Kingdom, in particular through the hiring of talented Saudi nationals, while ensuring that our technical knowledge and delivery capabilities are continuously updated.
ksa@SovereignGroup.com ■

Giving back to the community has always been a strong pillar in Sovereign's values, which is clearly demonstrated through its commitment to building The Sovereign Art Foundation (SAF) and has raised over US$11m to support vulnerable children over the past 20 years.

The Sovereign Art Foundation (SAF)

SAF was first established in Hong Kong in 2003. SAF's vision is to transform lives and build connections through art. It is a charity that uses the power of expressive arts to support wellbeing and positive change in disadvantaged children.

The unique approach of SAF's flagship programme, Make It Better, combines expressive arts workshops for children in need with education, training and support for their caregivers and educators, delivering real impact.

The Sovereign Asian Art Prize is now recognised as the most established and prestigious art award in Asia-Pacific. Other Prizes include The Sovereign Portuguese Art Prize and The Norval Sovereign African Art Prize, presented in partnership with Norval Foundation in South Africa.

There are also ten Sovereign Art Foundation Students Prizes run by Sovereign Offices worldwide. These annual awards celebrate the importance of art in the education system and recognise the quality of artworks produced by secondary school students across the world.

www.SovereignArtFoundation.com

Sustainability and Environmental, Social and Governance

Sovereign has long addressed ESG at a local level but more recently we have formalised this and set up group wide committees who report back to the Sovereign Group Resources board strengthen efforts in this area and ensure we move towards common goals and achievements.

Sovereign has established three committees – Diversity, Equity and Inclusion (DEI), Environment and CSR. Each committee has a Chair and at least one volunteer representative per Sovereign office, representing the group in all regions where we operate. In this way, we can ensure that committee members are passionate about the causes they will be promoting, want to drive change in the company and, importantly, are given a voice to do so.

Plans for these committees include running an assessment within the Group, including a review of existing processes, policies and demographic data to benchmark Sovereign's current position and how we should move forward. These committees will be building an education programme on these issues, developing a mentorship programme and making achievable pledges to the environment and community.

Sovereign Art Foundation Achievements

US$11M
raised

15,000
children served by arts programmes

1
academic study with the University of Hong Kong

27
professional artists shortlisted across three continents

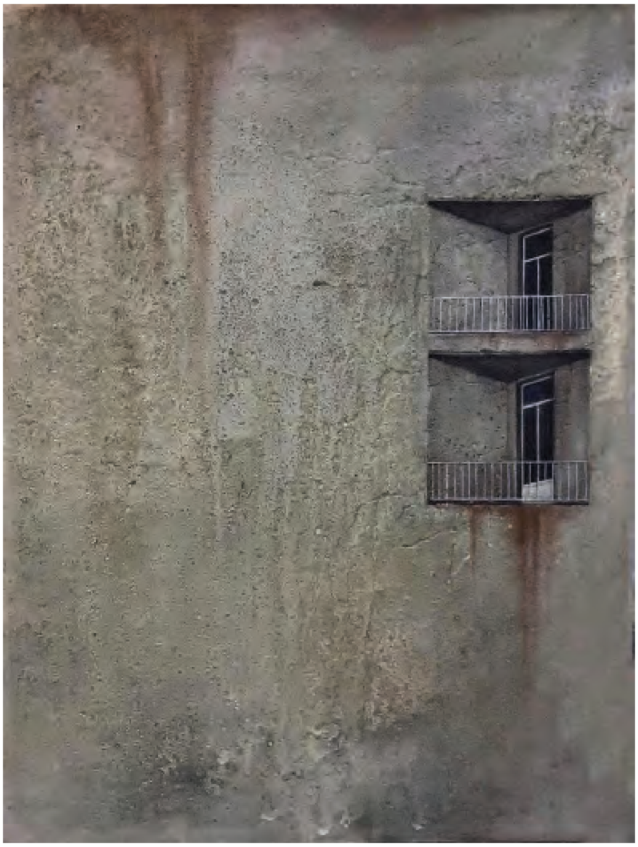
20
years established

20,000+
indirect programme beneficiaries

300
teachers trained

50+
international student art prizes across ten jurisdictions

Winners of the 2022 Sovereign Art Prizes in Asia, Africa and Portugal



Density
Azin Zolgaghari
The Sovereign Asian Art Prize Grand Prize Winner

Duende
Jorge Queiroz
The Sovereign Portuguese Art Prize Grand Prize Winner

Tswelopele
Bonolo Kavula
The Norval Sovereign African Art Prize Art Prize Grand Prize Winner

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