



Managing High Wealth Individual Compliance

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Characteristics of HWI

- Complexity of their affairs
- Income derived largely from capital (investment and property), rather than from earnings (wages, self-employment, professional fees)
- Transnational
- Opportunity to undertake aggressive tax planning
- Influential

In 2015, 0.7 percent of the world's population controlled 45 percent of the world's wealth

Statistics....

- Ultra High Wealth (UHW) > \$30 million in assets
- Number of UHW individuals increased 12.9% from 2016 to 2017 (255,810 individuals)
- Asia's UHW population grew by 18.5% and collective net worth increased by 27%
- Expansion of UWH population expected to continue over the years to come

Source: World Ultra Wealth Report 2018, Wealth-X

What is the risk?

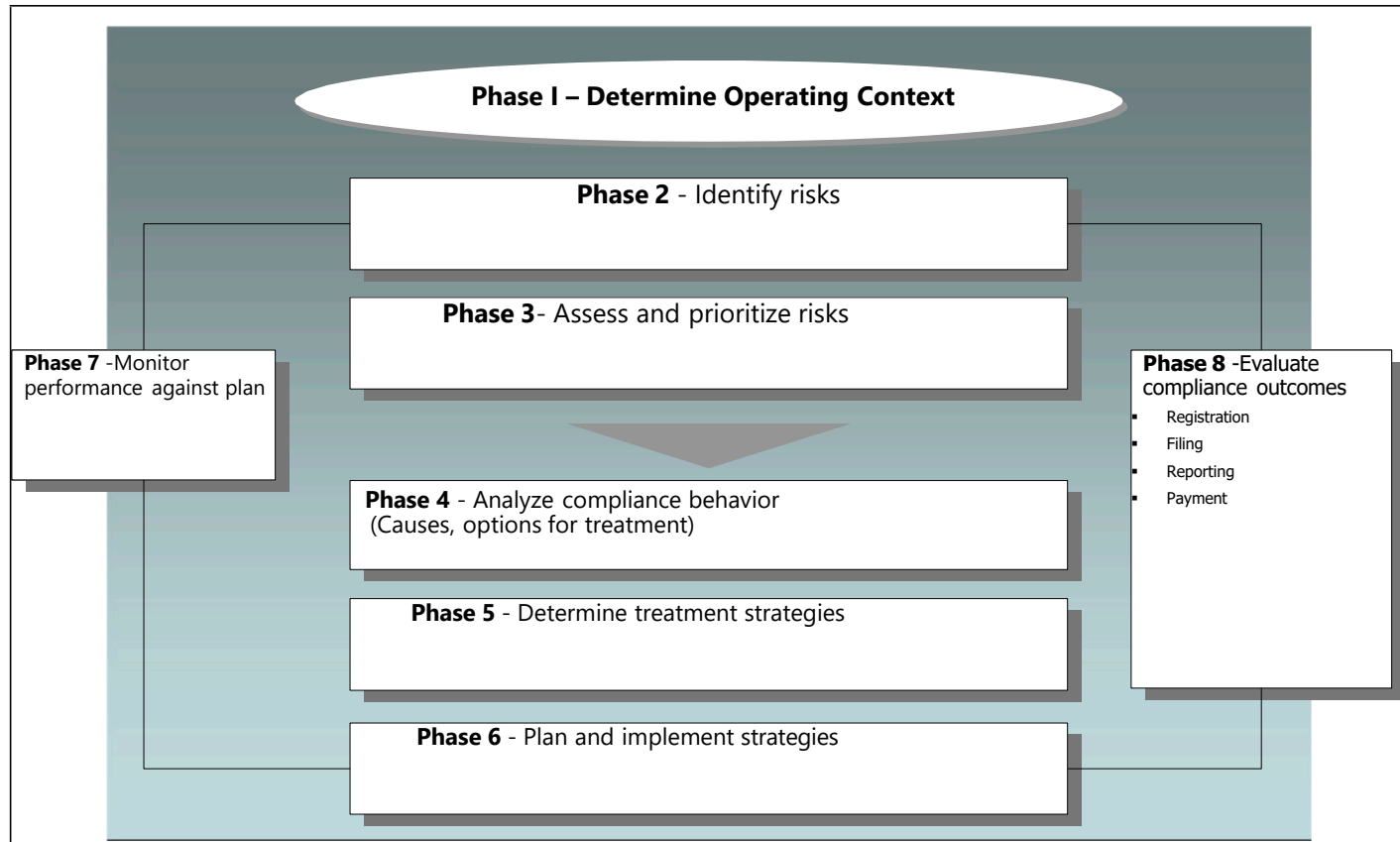
How do you determine if HWIs are non-compliant?

....Segmentation approach

- Unique characteristics of this population
- Understanding their behavior is crucial to developing a strategy to address non-compliance

...the compliance model is useful in evaluating and addressing risks

Compliance Model for HWI



Source: Organization for Economic Cooperation and Development, adapted

Administrations with LTO/Program, HWI program

2015

Group	LTO/Program	HWI
Small States (31)	52%	13%
Lower Income (44)	98%	9%
Higher Income (60)	95%	32%
All (135)	86%	20%

Note: Numbers in parentheses equal the sample size for data supplied in each column. HWI = high-wealth individual; LTO/P = large taxpayer office/program.

Source: ISORA 2016, adapted

Approach

Compliance by Design – legislate what you can

Develop treatment plans for the rest – consider building HWI program if risks are significant

Options:

- Taxpayer penalties
- Promoter penalties
- Mandatory disclosure and reporting rules
- Anti-avoidance/anti-abuse rules
- Exchange of Information
- Voluntary disclosure
- HWI compliance program

Readiness Assessment

Before setting up a HWI compliance program, the tax administration should consider:

- I. Political environment
- II. Extent to which legal authority and taxing rights are present
- III. Capacity of administration to engage HWIs and their intermediaries
- IV. Availability of necessary data and information

For more information,

See Fiscal Affairs Department Technical Note:
Revenue Administration: Implementing a High-Wealth Individual Compliance Program

John Buchanan and Lucilla McLaughlin

<https://www.imf.org/en/Publications/TNM/Issues/2017/05/04/Revenue-Administration-Implementing-a-High-Wealth-Individual-Compliance-Program-44805>