Private Wealth Services
Looking beyond...
Navigating through constantly changing tax and legal environments can be daunting. Finance has few borders and sovereign states are staying in touch through interactive policies and reforms that demand more coherence, transparency and substance. This means families not only need to be constantly aware but proactively structure their businesses so they do not create negative value. PwC’s private wealth (PW) team creates specialised solutions to preserve our clients’ wealth home and abroad. From design and launch of family offices to end-to-end organizational assessments, tax, wealth transfer and generational planning, deals advisory, governance, and controls implementation of family office technologies, PwC’s PW expertise runs deep.

This document has been prepared as a guide to High Networth Individuals (HNIs) in understanding the significant issues for consideration in wealth management.

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Exchange of Information (EOI)/Voluntary Disclosure programs:

Tax rules can be complicated increasing the burden of compliance, particularly for internationally mobile families. EOI programs are increasingly driving change as it relates to how HNIs manage their affairs going forward. Some of these have steered the national drive to increase tax revenues in the light of economic downturns. Some of these programs are highlighted below and developments need to be monitored for effective compliance.

Common Reporting Standard (CRS)

On 17 August 2017, Nigeria became a signatory (includes 99 other countries) to OECD’s CRS, signed as part of the Multilateral Competent Authority Agreement (MCAA). The CRS allows the automatic exchange of financial account information amongst signatory countries and their tax authorities. To become effective, the National Assembly will need to enact a legislation to give the CRS the force of law in Nigeria and technology platforms for sharing data need to be set up.

Beneficial ownership Register

To deter funding of property acquisition from proceeds of illegal activities, the UK Government is set to create a register of beneficial owners of property acquired by foreign entities in the UK. Nigeria has signed up to receive information on this.

Foreign Account Tax Compliance Act (FATCA)

FATCA came into full effect on 1 January 2013 and similar to CRS, requires foreign financial institutions (FFI) and non-financial foreign entities (NFFEs) to share financial information with the US Internal Revenue Service (IRS) as it relates to US nationals and companies that maintain bank accounts with them.
Voluntary Assets and Income Declaration Scheme (VAIDS)

VAIDS is an initiative of Nigeria’s Federal Ministry of Finance in collaboration with tax authorities in Nigeria (both at the federal and state levels) to give a time limited amnesty to taxpayers to regularise their tax status relating to past periods. Taxpayers who voluntarily declare their assets and income can enjoy immunity from prosecution for tax offences, full or partial waiver of interest and penalties on condition of payment of outstanding liabilities in lump sum or over a maximum period of three years.

Succession planning

In Nigeria, there is evidence to show that wealth created by a patriarch does not often transcend beyond the next generation due to a lack of proper succession planning. It is pertinent for family heads to put the right structures in place during their lifetime to ensure continuity and increase in wealth for future generations.

Liquidity

Whether related to succession planning or desire to invest in other assets, entrepreneurs may want to create liquidity in their main assets. This could take the form of bringing in new investors/partners into the corporate assets, divesting certain parts of the business or taking one of the corporate assets public. There are various considerations related to creating a liquidity event: timing, valuation, continued involvement in the business, nature of partner, etc.

Often businesses consider bringing in equity partners into the business as an interim step prior to a full divestment or a public offering. This often allows private businesses to put the right governance in place and institutionalise the business by introducing the right level of controls and systems.
Lifestyle Investment

There are associated risks attached to holding lifestyle investments such as yachts and private jets e.g. reputational and litigation damages arising from personal injury claims by third party users of such assets in the event of accidents. Consideration needs to be given to ownership structures that mitigate these risks while being tax efficient.

Segregation of personal and corporate assets

At the early stages of building business empires, it is quite common for personal assets to be used/held by the company without charge. Carving out such assets early on may mitigate significant transfer taxes on higher future values e.g. capital gains tax and stamp duty possibly when a listing is envisaged. However, it is also possible that the use of the asset is not priced appropriately leading to value erosion for family businesses.
Real estate in several tax jurisdictions

It is not unusual that individuals own real estate in several countries. While these properties may have been acquired to suit the lifestyle of families, it is important to consider the tax implications of owning such properties (property and inheritance taxes on market values) and the correct structures that could mitigate or reduce corresponding tax implications.

Double Taxation

Potentially, income derived from assets held in a country will be subject to tax based on the domestic tax rules of the country. These countries may have the right to tax that income unless there is a Double Tax Agreement (DTA) with Nigeria that provides some relief or exemption from double tax.
Immigration and Expatriation

It’s typical for the children of High Networth Nigerian families to be born in the US or Europe as an added advantage of easier mobility. Migration to other jurisdictions best suited for second homes may also be considered after retirement. This could present some unintended tax consequences with improper planning.

Global expansion

The expansion of family businesses may be underpinned by divestments and acquisitions as opposed to organic growth. Improving the operations of the business are important as wealth grows and succeeding generations get more involved. Cross-border investments and transactions that may appear standard can give rise to unforeseen and complex tax reporting depending on the jurisdictions expanded into. Structuring investments through proper selection of investment vehicles and strategic exit plans help increase value.
Family office planning

With the investments and assets of our potential clients held across various tax jurisdictions, managerial and administrative needs of family businesses can be extensive.

A family office can meet those needs by being a focal point and effective overseer of affairs from a strategic and compliance perspective.

Estate and Gift planning

When our potential clients are planning on bequeathing their assets and investments to their wards and other beneficiaries, depending on where such assets are held, there is a need to consider the impact of the death tax, inheritance tax and estate tax on such assets. There may also be opportunities to take advantage of lifetime exemptions where applicable.

Trust Planning

Trusts are useful vehicles for holding assets and some tax havens offer good tax incentives for setting up offshore trusts in their jurisdiction. However, the decision to set up a trust in such locations should not be taken in isolation. Careful consideration should be given to the overall investment strategy and objectives/needs prior to opting for an offshore trust model for housing assets. For example, for assets held in Nigeria it may be advantageous to create a local trust to mitigate local estate taxes on illiquid assets.

Lifestyle Investment planning

Tax efficient ownership companies or trusts should be considered. This will involve review of current ownership and structure, maximizing deductions for business use, proper planning for new acquisition or disposals, Choice of entity/jurisdiction, VAT compliance and planning.
Foundations

Philanthropic giving is most effective when it is tax efficient. In Nigeria, donations can easily be disallowed where there are no regulatory approvals giving rise to additional tax burdens. Structuring a private foundation in a tax efficient manner is necessary to avoid additional costs.

Tax planning and compliance

Cross-border investments and transactions should be planned to be tax efficient and also consider the impact of foreign exchange fluctuations. Reduce unnecessary tax leakages through tax efficient holding vehicles and mitigation of double tax through treaty analysis. Worldwide tax compliance will be key to relieve the worry of penalties and a more centralized approach to doing this saves time. It also ensures consistency in disclosures of foreign investments while mitigating double tax payments.

Assurance

One of the ways we expect the tax authorities in Nigeria to bring wealthy individuals into the tax net will be through intelligent analysis of HNIs lifestyle. Ascertaining income, cash flows and assets through agreed upon procedures can help rebut profile based assessments. As the family business matures and becomes more complex, it becomes necessary to create some internal controls, prepare financial statements and carry out audits of trusts, foundations or business ventures.
Advisory

As investors aspire for growth and/or the need for liquidity arises, it becomes imperative to make decisions about future plans for assets. These decisions would involve a strategic review of assets, divestments, initial public offering and equity partnerships.

There is also a need to consider family office reviews, designs and assessment, governance structure, strategies for the assets, investment program reviews, training of successors for C-Suite executive roles amongst others.

Immigration support

Applying for a visa should ordinarily be a straightforward process but this could be complicated if not properly managed. There is a need to seek professional support in preparing the application, reviewing supporting documentation and providing advice where necessary.
Global reach, dedicated team, tailored services...

We have the strongest and most complete global network of any independent professional services organisation. This is essential in delivering top quality services to all our clients, whether they are local or multinational.

PwC is structured as a network of member firms, owned and operating locally in 158 countries around the world, with more than 236,000 people connected to share knowledge, skills and resources.
At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 236,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more by visiting us at www.pwc.com/ng

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