

Deloitte Touche Tohamtsu (NY)

In response to your 30 October 2008 soliciting of comments on the OECD's initial draft discussion paper on High Net Worth Individuals (HNWIs), we are pleased to submit two documents for your consideration. First, this letter reiterates our perspectives on what will be required for the co-operative compliance framework proposed in your January 2008 report on tax intermediaries to be successful, and it highlights what we see as the key challenges to extending this framework to the HNWI community. Second, we have attached our response to the specific questions articulated by the Focus Group for comment in the provided response form.

We very much welcome the approach taken to consult with the relevant stakeholders, including advisors, and we look forward to continuing the dialogue on this important matter. We believe that overall both HNWIs and tax authorities can realize long-run benefits from a focus on achieving a greater degree of openness and cooperation.

The Co-operative Compliance Approach

The Forum on Tax Administration's (FTA) October 30, 2008 discussion paper on HNWIs is an extension of the principles outlined in your more comprehensive January 2008 report, "Study into the Role of Tax Intermediaries." The two core premises of this earlier report were that:

- In the face of the increased compliance burdens brought on by globalization, more effective risk management would allow tax authorities to better allocate their limited resources; and
- Shifting the existing relationship(s) between tax authorities, taxpayers, and tax advisors (intermediaries) from a strictly obligation-based compliance and disclosure relationship to a more principle-based one would ultimately provide for a more efficient and fair tax system.

In that initial report the Study Team recommended that member countries adopt a co-operative compliance framework that aims to foster an 'enhanced relationship' between corporate taxpayers (and their advisors) and tax administrators. This enhanced relationship calls for corporate taxpayers to commit to the voluntary disclosure of "any information necessary for the revenue body to undertake a fully informed risk assessment."¹ This includes but is not limited to "any transaction or position where there is a material degree of tax uncertainty or unpredictability, or where the revenue body has indicated publicly that the matter is of particular

¹ OECD, Study into the Role of Tax Intermediaries, p. 41, ¶16.

concern from a policy standpoint.”² These recommendations could fundamentally change enforcement and compliance related burdens, in many countries.

Given this background, before sharing our responses to your specific questions about extending this framework to HNWI, we would like to take the opportunity to reiterate one of our concerns related to the initial Tax Intermediary study given that it seems even more relevant to this extended discussion.

As noted in our letter of 12 November 2007 on the ‘Intermediaries’ report, for this new approach to get off the ground, Tax Authorities must commit fully to the processes inherent in a co-operative compliance framework before seeking change from others. We believe that the Cape Town Communiqué of 11 January 2008 was adopted with this understanding.

The implied commitments by tax authorities (commercial awareness, impartiality, proportionality, openness, and responsiveness) as part of the proposed ‘enhanced relationship’ are substantial and will require significant resource investments and reallocations and retraining of existing resources by both governments and revenue bodies.

Conversely, the increased disclosure and transparency burden that this enhanced relationship places on the taxpayer will bring with it immediate and substantial costs; while the benefits of proportionality and early certainty are likely to be slow to ripen. This potential cost-benefit imbalance likely would be much more significant for HNWI. Under current law in most OECD countries, HNWI do not face the broad range of other regulatory disclosure requirements that corporate taxpayers do. Certainly, most countries do not impose disclosure requirements to the degree envisioned by an enhanced relationship. Thus, administrative costs to these taxpayers would increase substantially if this framework is extended from corporate taxpayers to HNWI.

In this context, for tax administrators to truly achieve the improved cooperation and openness initially advocated by the Study Team, tax authorities will have to take the first step(s) and fully commit to these processes before seeking change from others. This is equally important to HNWI as it is to corporations. It is critical that as part of this process, tax authorities determine whether and how the outlined innovations would be funded, administered, and evaluated. The consequences of failing to achieve promised significant improvements in the delivery of tax administrative processes while imposing significant new burdens on both taxpayers and tax advisors could serve to undermine the very trust and enhanced relationship that the Study Team and tax administrators are trying to build.

A related point which we considered under the same heading of our earlier letter was that Tax Authorities need to be clearer on where government, taxpayer, and tax advisor responsibilities begin and end. The approach presented in both the original Study and the current draft HNWI discussion paper would effectively shift tax administrative burdens to tax intermediaries and

² Ibid.

taxpayers, and would mark a fundamental shift of enforcement and compliance-related burdens from government and revenue authorities to taxpayers and their advisors.

Setting aside the issue of the appropriateness of such a shift, in our experience, countries that have imposed enhanced disclosure requirements have found that such programs require careful management and the dedication of significant resources in order to prevent overwhelming the tax authority with more information than it can process.

To ensure success, if government is going to expect heightened voluntary disclosure from taxpayers they will need to take steps to clearly define their needs, define the expected form of disclosure, and ensure that any legally binding requirements imposed to support this approach clearly demarcate where government, taxpayer, and tax advisor responsibilities appropriately begin and end.

The OECD's Project on High Net Worth Individuals

What is Unique about the HNWI Community?

In order to determine an appropriate framework within which to incentivize co-operative compliance by HNWIs, tax administrators need to have a better understanding of the characteristics that typically differentiate HNWI taxpayers from other taxpayers in the system, and the limits to what cooperation they can reasonably expect from this taxpayer community. Continuing dialogue on this central issue is necessary at the OCED and at the member country level. Four distinguishing characteristics of HNWIs are worth noting in this regard.

First, HNWIs tend to be less homogenous than multinational corporate (MNC) taxpayers, and their level of sophistication and tolerance for risk varies greatly as does the composition and complexity of their asset holdings.

Second, HNWIs tend to be considerably more mobile than MNC taxpayers. Given the volume and commonality of cross-border transactions in this community, tax authorities will have to thoroughly consider how a dedicated HNWI tax regime/approach might be affected or qualified by existing bilateral or multilateral double-tax treaties and similar agreements, and how revenue authorities should address potential disagreements on where income and wealth of HNWIs should be taxed.

Third, HNWIs typically have little if any direct interaction with tax administrators, more often opting instead to handle tax compliance and planning issues exclusively rather than partially through tax advisors. The special nature of HNWIs places them in a unique position to both have access to sophisticated tax advice and legal resources, as well as the flexibility to change those advisors when their positions/interests no longer meet. Tax authorities need to be aware of the

risk that seeking to constrain the HNWI and tax advisor relationship could drive a select set of high net worth taxpayers toward advisors and other service providers who are outside of the scope of their influence or control and who promise privacy guarantees through “privileged” relationships.

Fourth, as already noted, HNWIs typically have few if any non-tax requirements or corporate governance controls. This relative lack of existing third-party reporting reduces the incentive for HNWIs to voluntarily disclose information to revenue authorities. Moreover, HNWIs frequently place a considerably higher premium on protecting the privacy of their financial information than the average taxpayer. It will be important for an effective co-operative compliance framework to provide strong privacy guarantees for HNWIs, if tax authorities are to create a net incentive for heightened taxpayer cooperation and compliance.

Tax Authorities need to be wary of a one-size-fits-all approach to improving compliance.

The Focus Group’s draft discussion paper on HNWIs does not posit a common definition of “high net worth individuals,” noting instead that this concept will necessarily vary by jurisdiction. This is an appropriate and necessary renunciation of a one-size-fits-all paradigm to improve taxpayer compliance behavior. We have experience practicing in widely varied tax regimes and political environments. This has led us to be skeptical of “across the board” solutions applied to widely different institutional frameworks, and in particular of extending the co-operative compliance concept in those tax jurisdictions that do not currently have strong institutional frameworks for taxpayer, agent and authority relationships and for trust between taxpayers, tax advisors, and tax authorities. We believe that relying on co-operation where such frameworks and trust are deficient could actually further retard, rather than improve, taxpayer-tax advisor-revenue body relations, as well as ultimately taxpayer compliance, as the risk is that voluntary steps to improve compliance, although promised, will not be forthcoming.

Similarly, extending this ‘enhanced relationship’ approach to those regimes still working towards developing an independent judiciary or strong central tax authority, would be putting the cart before the horse by trying to transition to relationship-based tax administration before the primacy of law is fully established.

High Net Worth Individuals vs. “Ultra” High Net Worth Individuals?

The scale and comparability of the value of HNWI assets is also a key differentiator. If HNWIs are already heterogeneous for the reasons noted above, “ultra” HNWIs have a number of even more unique characteristics.

For example, the level of sophistication and asset scope/composition of “ultra” HNWIs is greater than that of HNWIs generally. The added complexity of their family and business interests

creates an ever-broadening range of tax sensitive features including: multiple layered entity types, varying income sources and types, multiple affected jurisdictions, etc., as well as the presence of trusts, charitable arrangements, estate and gift issues, etc. Although many of these features are influenced by tax planning, there are equally non-tax drivers, e.g. protecting family wealth from being dissipated by fracturing among multiple heirs over successive generations and/or by passing into the control of immature family members. The sheer range of resulting tax technical issues would likely strain the capabilities of a single dedicated unit under even the most robust co-operative voluntary compliance relationship; however, for “ultra” HNWI the need for increased guidance, tax authority responsiveness, and pre-transaction clarity is more acute.

On the other hand, in many tax regimes, the heightened complexity and sophistication of “ultra” HNWI holdings can bring them within scope of some non-tax governance and internal controls as infrastructures such as “family offices” being established and as more family business interests are established in corporate form, which in many jurisdictions does create disclosure requirements even for private companies.

Additionally, in the case of “ultra” HNWI the importance of privacy shifts precipitously from a “mere” area of concern to a physical and economic imperative – for example to, among other things, ensure their physical security or prevent market-sensitive information from being disclosed.

Key Concerns Related to Extending the Co-operative Compliance Framework to HNWI

Given the unique nature of HNWI taxpayers, we have three key concerns as the OECD begins to move forward with plans to extend the co-operative compliance framework to this community.

1. Defining High Net Worth Individuals

As the Focus Group rightly points out, the factors and thresholds used to determine what constitutes an HNWI are necessarily determined at the domestic level.³ However, while we agree that a global definition does not seem appropriate, further consideration will need to be given to both the definition of HNWI as well as what mechanisms will be used to identify/measure them. Should status as an HNWI be determined by wealth, income, assets, complexity? Should there be a distinction, as we have suggested above, between HNWI and “ultra” HNWI?

2. Beware of Using HNWI and ‘Non-Compliant’ Interchangeably

As the Focus Group moves forward with this project, it is critically important that the term HNWI not be used interchangeably with non-compliant. First, as you have noted, HNWI taxpayers already make a significant economic contribution to society and

³ OECD, Project on High Net Worth Individuals, p. 4, ¶5.

account for a large part of total income tax revenue in their home countries.⁴ Second, as described to date, the co-operative compliance approach is only available to those taxpayers that comply with the law or are prepared to voluntarily disclose an instance of past non-compliance. Situations of willful non-compliance with the intent or hope of going undetected is not intended to be covered under the scope of this study.⁵ Revenue authorities should be cautious not to allow the relative absence of existing statutory non-tax reporting requirements or the amount of money at stake here to prompt them to approach HNWI taxpayers as though they are inherently non-compliant.

3. Beware of the Potential for Public Concerns About Fairness and Inequity

As the Focus Group moves forward, public perceptions of an approach that distinguishes HNWI taxpayers from the rest of the taxpayer community will need to be carefully considered. While this approach is geared at the compliant, the recent global media coverage of tax investigations into the affairs of a number of high-profile HNWI could lead to perceptions of inequity by both HNWI taxpayers and the taxpayer community at large that would undermine taxpayer trust in their domestic revenue authorities. (Insofar as any approach targeted at HNWI can be characterized as “special treatment” there is a risk that this may simultaneously be viewed – even if unfairly – by different groups in society as “specially favorable” or “specially unfavorable” and resented accordingly on both counts.) As we discuss in greater detail in the attached, for HNWI this co-operative compliance approach needs to be truly voluntary in nature, and designed to provide HNWI taxpayers with benefits for participating, rather than penalties for failure to do so. For the remainder of the taxpayer community, revenue authorities will need to shape a message appropriate for their domestic constituency that emphasizes the benefit(s) to taxpayers generally when tax authorities are able to strategically allocate resources and achieve compliance more effectively, albeit less aggressively, in appropriate circumstances.

Our attached response to your request for comments focuses on what we see are three broad themes that permeate this discussion:

- How should tax authorities organize themselves to foster an enhanced principle-based relationship with HNWI taxpayers?
- How can tax authorities encourage HNWI to be more transparent and/or participate in a voluntary disclosure program?

⁴ In Germany for example, the top .1 percent account for 8 percent of total tax income and the top 5 percent some 40 percent of total tax revenue. Likewise, in the United States, the top 5 percent should some 60 percent of the total income tax. OECD, Project on High Net Worth Individuals, p. 4, ¶1.

⁵ Ibid, p. 4, ¶2.

- Should tax authorities consider implementing a product ruling regime as an additional means of providing early certainty to HNWI taxpayers?

Conclusion

Overall we believe that significant improvements have been made to the co-operative compliance approach as it has evolved in many countries since the initial tax intermediary study. Exploring an expansion of this work to the HNWI segment of taxpayers warrants the exploration that you are now beginning. We believe that further work is still needed primarily to reflect the challenges arising from the nature of the HNWI population. In order to achieve the stated objectives, it would be preferable for this additional work to be undertaken through a continued dialogue with all of the interested parties.

We deeply appreciate the opportunity afforded to us to comment on the work of the HNWI Focus Group and would be happy to discuss any or all concerns with you.

Sincerely,

Ian Tod
Deloitte Touche Tohamtsu
Deputy Global Managing Partner, Tax Services

Name of Respondent

Ian Tod
Deloitte Touche Tohamtsu
Global Managing Partner, Tax Services

Question 1: What are the important features of tax administration that may facilitate the co-operative compliance approach? Please build on positive and negative experiences in dealing with your tax administration.

High net worth individual (HNWI) taxpayers place a high value on timely information, increased certainty, and privacy protections. For a segment of this population, "ultra" HNWI, these are even more important. In our experience, a voluntary arrangement will have some appeal to the HNWI taxpayer community, and in particular the "ultra" HNWI, provided that such an 'enhanced relationship' will create the proper taxpayer incentives and protections. The key here will be for revenue authorities to demonstrate their commitment to this improved relationship by successfully delivering on their side of the relationship first, and without adverse consequences for those taxpayers that opt not to participate (other than the ultimate reduced compliance burden that co-operation is intended to deliver). Each tangible example of a successful co-operative compliance relationship with clearly identifiable benefits for the taxpayer is likely to engender confidence and so increase HNWI interest in participating.

Setting aside the nuances of country specific-needs/concerns, a successful framework to foster a co-operative compliance relationship between HNWI and tax authorities must include the following:

- Improved dialogue between tax administrators, HNWI, and their advisors to facilitate an increase in the flow of information and taxpayer/tax advisor awareness of current issues and key areas of concern for tax authorities;
- Increased publication of authoritative guidance on key issues confronting HNWI;
- Improved responsiveness from tax administrators that includes a consistent approach, timely responses to pre-transaction filings/inquiries, and the authority at the audit/review level to consult meaningfully on and implement resolutions;
- Strong taxpayer privacy protections including 'no-name' rulings for pre-filing requests;
- An institutionalized mechanism for voluntary disclosure of past non-compliance that mitigates penalties and does not act as an automatic trigger for a broad-based review of their (and their family's) tax return(s).

HNWI, like most taxpayers, want to pay the right amount of tax at the right time. However, to build any successful principles-based voluntary disclosure relationship, revenue authorities will need to rely on the 'carrot' rather than the 'stick' approach, communicating to taxpayers that there is a clear and

demonstrable benefit for participating, rather than a penal regime for not doing so. This is particularly true in the case of incentivizing HNWI taxpayers, who unlike their corporate counterparts, are not subject to comparable corporate governance or internal control requirements (and consequently are under less, if any, corresponding current statutory requirements to disclose), and whose voluntary disclosure has personal consequences/implications. Additionally, an important component of any successful voluntary relationship is a commitment on the part of the revenue authorities not to take a taxpayer's choice not to participate as ipso facto evidence of tax avoidance or as an indicator of a high-risk taxpayer.

In this context, for tax administrators to truly achieve the improved cooperation and openness advocated, tax authorities will have to take the first step(s) and fully commit to these processes before seeking change from others. It is critical that as part of this process tax authorities determine whether and how the outlined innovations would be funded, administered, and evaluated. The consequences of failing to achieve promised significant improvements in the delivery of tax administrative processes while imposing or attempting to impose (at least initially) significant new burdens on both taxpayers and tax advisors could serve to undermine the very trust and enhanced relationship that the Focus Group and tax administrators are trying to build.

Question 2: Do you think that having a dedicated unit (or units) as part of your tax administration (either at national or at regional level) with particular responsibilities for HNWIs is a good idea? If you are generally supportive of such an idea, what roles and responsibilities do you think such a unit should assume? In particular do you have any views on the following points?

- a. How should a tax administration best gain insights into the behavioral drivers and the general context within which HNWI and their advisors operate? For instance, by employing staff with relevant private sector experience perhaps on secondment, on short term contracts, at the end of successful careers, or on permanent contracts. Should there be some form of "advisory board" involving advisors and other relevant market participants (e.g. private banks) or some other structured form of providing relevant background and context to the tax administration.*
- b. What role and responsibility should the unit assume with respect to the affairs of the taxpayer (e.g. research and risk assessment or full responsibility for the file including potential audit)?*
- c. What taxes relating to the HNWI and their affairs should such a unit deal with and why? For instance, should it be limited to income taxes or also cover inheritance and estate taxes, VAT/GST etc.?*
- d. Should the unit be responsible also for the affairs of all/certain entities controlled by a HNWI (e.g. only the personal affairs of the taxpayer, all operating entities and non-trading entities or only non-trading entities)?*
- e. Should HNWIs and their advisors be assigned a designated contact point within the unit?*
- f. Should the unit be tasked with preparing an annual or periodic report about the overall environment and key developments, including the most pressing issues identified by HNWI and their advisors for use by the heads of tax administrations and finance ministries?*
- g. Should additional safeguards and security procedures apply to the information held by the unit?*

The choice, and ultimately, the success of a dedicated unit focused on the affairs of HNWIs is unique to the political context and current tax administration set-up, and cannot be developed with a "one-size-fits-all" approach. We believe that a robust county-level dialogue between tax authorities, taxpayers, and tax advisors is necessary to determine at the country level how revenue authorities can best serve HNWIs and strengthen their revenue processes. To provide further context, we discuss below the situations in the United States and Australia.

In the United States, HNWIs could be served by one or more of the three IRS operating divisions. The Large and Mid-Size division may pick up executive tax returns associated with the large companies that they examine. The Wage and Investment Division is responsible for taxpayers who derive income from salaries, dividends, interest, and capital gains only—a very broad taxpayer segment in the United States. The Small Business and Self Employed Division serves those taxpayers who are entrepreneurs with a business or farm, as well as those who may be partners in related entities. As you can see, HNWI

taxpayers are a segment with no specific or single relationship to a particular IRS division. A dedicated HNWI unit might not be a viable option in the United States given the complexities associated with this large and diverse taxpayer base. The typical HNWI taxpayer would have investment or other business associations that involve numerous flow through or corporate entities, as well as significant estate and gift tax returns. A unit that focused on this broad spectrum of tax returns and related entities would be very difficult to staff and train.

A more appropriate approach in the U.S. might be to provide some 'enhancements' to the current IRS process that would facilitate the resolution of compliance issues for HNWI taxpayers, including: timely pre-transactional advice on proposed transactions, and the creation of a centralized unit to facilitate voluntary disclosure. These enhancements would benefit taxpayers by giving them a forum to resolve issues ahead of time and a forum to voluntarily disclose and resolve past mistakes without onerous penalties. These enhancements would also benefit the taxing authority because it would enable them to get an advanced look at business and tax planning, as well as important tax issues for this segment of taxpayers. In addition, a more robust voluntary disclosure program would improve overall taxpayer compliance and likely net taxing authorities more taxes than it would have otherwise received.

The Australian experience provides an illustration of a dedicated HNWI unit in practice. In 1996 the ATO formed a High Wealth Individuals Taskforce to improve its understanding of HNWIs and their assets/holdings, increase voluntary compliance, and improve taxpayer confidence in the fairness of the system. Currently HNWIs are identified based on a combination of tax return information, publicly available information, and third-party data that reports large financial transactions and/or capital holdings, and are generally defined by the ATO as those taxpayers in control of \$30 million or more in net wealth. As part of this process, tax authorities developed an "entity questionnaire" which is used to help revenue agents gain a better understanding of the holdings of HNWI family group and associated entities. Revenue authorities also compile individual taxpayer asset and tax return position information through an 'expanded' tax return. Together this information is used to develop a risk profile for each HNWI taxpayer that enables the ATO to allocate their scarce resources to audit those taxpayers with identified risks, rather than all HNWIs. While the experience in Australia has been successful to date, it is primarily a risk-based audit approach which may need development to fully conform with the stated values of the co-operative compliance framework.

Another factor to consider is that tax administrators in countries still working to develop an independent judiciary and strong central tax authority, risk putting the cart before the proverbial horse by trying to transition to relationship-based tax administration before the primacy of law is fully established, and should proceed with caution. Likewise, for revenue authorities in regimes where relationships between HNWIs and government/tax authorities are already strained by suspicion, mutual distrust, etc., repairing the basic relationship must occur before an enhanced relationship can be built.

Ultimately, we believe that the organizational structure of revenue authorities is secondary to an open dialogue and efforts to ensure that they are committed to: responsiveness, providing taxpayers with timely guidance, and staffing units with the "right" technical specialists who are armed with an understanding of the key business issues at hand and have the authority to consult on and implement resolutions to complex issues. These components will be the true differentiator for tax authorities looking to build an enhanced relationship with HNWIs.

Question 3: If you are from a country that currently has a dedicated unit dealing with HNWIs what advantages or disadvantages have you seen in having such a unit and do you have any comments on the way it was set-up and is operated? What are the features that you find the most useful?

Please see our response to Question 2 above.

Question 4: If the tax administration offered this or a similar approach, what would encourage HNWI and their advisors to opt into it? In your answer please consider the points discussed below and indicate which points may be more important and which may be less important. Please also describe any other elements or concerns that you think would be relevant for HNWI and their advisors (e.g. privacy concerns), and how these may be addressed.

Please see our response to Question 5 below.

Question 5: The Focus Group seeks input from HNWI and their advisors about the framework for voluntary disclosures and what particular elements would encourage taxpayers to come forward, e.g. solutions to issues such as lack of back-year records, inability to calculate final tax liability, concerns regarding privacy.

As we have discussed in greater depth in our attached letter, there are a number of characteristics unique to HNWI and “ultra” HNWI that will challenge revenue bodies to successfully incentivize voluntary disclosure. However, based on our experience there are four key things that tax authorities can do to facilitate a co-operative compliance relationship with HNWI and their advisors.

First, while the benefit to government and tax authorities from this ‘enhanced relationship’ with HNWI taxpayers is self-evident, revenue bodies and this organization need to do a better job of communicating to HNWI about the benefits this relationship would hold for them, particularly in light of the fact that they may have limited current obligations to make disclosures. Implicitly, this translates into a focussing of government action(s) in this area – revenue authorities will have to rely on creating appropriate incentives to bring HNWI taxpayers to this enhanced relationship, rather than relying on either a penalty regime or a mixed “carrot-and-stick” approach found in other areas of tax policy. (The benefit to government being to release resources available to address true non-compliance.)

Second, if there were one common priority across the HNWI taxpayer community it would be privacy. In this context, government would need to take the first steps to signal to taxpayers the willingness and ability to protect their most personal and sensitive information, including income, net worth, assets, and of course, market-sensitive information. For many in this marketplace, this need for guaranteed privacy protections goes beyond a preference for secrecy into physical security concerns for them and their loved ones. Concerns around this single issue could serve as the most powerful *disincentive* for HNWI taxpayers to consent to the proposed enhanced relationship.

Third, and an extension of HNWI taxpayer concerns about privacy, revenue authorities will find themselves most successful if they pursue a voluntary disclosure program that mitigates penalties and does not automatically trigger a broad-based review of their (and their family’s) tax return(s). Likewise, taxpayers would want certainty around any impact of this initial disclosure on future profiling or on their risk assessment and what the processes are for determining these and the factors that influence the outcome.

Fourth, because new interactions with tax authorities of themselves initially increase the cost of compliance, HNWI taxpayers would typically be motivated to voluntarily engage with tax authorities at their own expense or under a “voluntary” audit, in instances where such co-operation would ultimately reduce the total anticipated compliance costs, or transaction costs. This would include, but would not be limited to steps to improve the: consistency, competency (including commercial/business awareness, timeliness, and responsiveness of tax administrators).

Question 6: Please express your views on the merits of a product ruling regime in connection with HNWI's. In addressing this question please take a broad view of the term "product ruling" to include any form of advance certainty (whether formal ruling or not) and also consider which segment of HNWI's you think would be the users of the types of products for which product rulings could be made available (i.e., certain HNWI's might be more likely to enter into tailor made arrangements that do not lend themselves to product rulings).

Given the fact that most HNWI's invest in highly complex financial products, product rulings could provide valuable input for HNWI's and their advisors, by encouraging consistency and clarity on the treatment of specific financial products.

However, despite the potential value-add of a product ruling regime, we believe that a co-operative compliance process that provides taxpayers with timely, comprehensive public guidance is likely to be more significant than whether or not there is a separate or parallel product ruling regime.

Additionally, there is a concern around the potential for taxpayers to perceive product rulings as an implicit endorsement of a specific financial product, and/or create a competitive disadvantage for promoters of legitimate alternative arrangements by increasing their compliance costs.

Finally, there is a danger that fear of being seen to endorse tax avoidance could constrain authorities' willingness to endorse products and this might make an endorsement regime hard to operate.

Question 7: Do you have any other comments which you wish to make?

Please see attached comment letter.