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Country of Respondent	Germany

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.

In general, it is very important that the tax administration is able to provide the taxpayers by their behaviour with the confidence that they also understand the relationship between taxpayer and tax authorities as a co-operation and not as a confrontation. There needs to be a level of trust in a way that the taxpayers understand the tax authorities more as a dialogue partner than a counterpart. It is also very important that there exists a consistency of treatment across the taxpayers.

In Germany there is no dedicated unit with particular responsibilities for HNWI therefore we are facing sometimes the situation that the tax administration seems to have not enough inside the tax issues HNWI usually have, especially in case of seldom used structures and cross-border investments/assets. In this respect we have made the experience that it is very helpful if one person from the tax authorities deals with a lot of HNWI (in our case shareholders from one company). Whether someone has made good or bad experiences with the tax authorities is of course always a question of the person one actually deals with. Some tax collectors are very helpful and have a good knowledge, some are/have not. In many cases it is helpful that one deals with the same tax inspector "for ages" because they then know the peculiarities of the case.

One negative experience in dealing with the tax authorities in cases of HNWI is that it is very difficult/impossible to prolong the filing deadline. Due to the fact that the tax returns of HNWI are very complex a lot of documents are needed and it is not always possible to get all the necessary documents in time (e.g. almost all HNWI have invested in funds which themselves do not file the tax return before the forth quarter of the next year). In this respect it should be allowed that HNWI file their tax returns disclosing the funds they own, but being able to deliver the respective figures later.

According to our experience the tax administration has very few experience with foreign investment structures (like trusts). The tax administration suspects very often that this is a tax saving model instead of understanding that in other jurisdiction this is something very common. This concerns mainly taxpayers (beneficiaries of trusts) from other jurisdictions who have moved to Germany.

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 HNWI 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?

We think that it would, in general, be a good idea to have such a dedicated unit. According to our experience it makes working much easier if one deals with a tax inspector who has the respective knowledge and experience. We have experienced that such a tax inspector is very often more flexible as he feels confident in what he does. As a first step it might be helpful to install a kind of Tax Center of Competence for HNWI which can then support the local tax administrations.

a) Maybe it would be a good idea that the tax authorities ask tax advisors dealing with HNWI, bankers or HNWI themselves to give lectures.

b) The responsibility should include the tax audits as well as according to our experience we very often have tax inspectors auditing HNWIs who mainly deal with corporate audits which makes it sometimes very difficult because tax issues arising at the level of HNWI are quite different from corporate tax issues. In addition it is very important that the taxpayers will be treated consistently no matter where they are located in Germany. This consistency of treatment across taxpayers is also very important in respect to binding rulings. There should be a co-ordination between the various tax authorities.

c) We would prefer to have a group specialized on income and capital gains tax and another specialized on gift/inheritance tax within this unit.

d) According to our opinion this would only make sense in the middle market segment (entrepreneurs) and in respect to non-trading entities but not in case the taxpayer holds a significant holding in a quoted company or in a big internationally operating company.

e) This would be helpful.

f) It would be helpful if the needs and views of the HNWI would be reported to the tax authorities in some way.

g) It should be self-evident that all personal data of all taxpayers have to be secured and protected.

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?

n/a

Question 4: If the tax administration offered this or a similar approach, what would encourage HNWIs 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 HNWIs and their advisors (e.g. privacy concerns), and how these may be addressed.

We doubt that taxpayers would like to have pre-filing meetings. In Germany there exist meetings between the Chamber of Tax Advisors and the tax administration to talk about cases of doubt or provide the tax administration with the opinion of the tax advisors of unsatisfying situations. According to our opinion this is sufficient provided that the Chamber of Tax Advisors is briefed respectively by the tax advisors dealing with HNWI.

Of course the possibility for binding pre-transaction rulings is interesting but it should not be paid for. Other pre-consultation with the tax authorities will in most of the cases only be interesting for the HNWI if they can actually rely on what was said at these consultations.

A very import point always is that all taxpayers/HNWIs are treated consistently and fair.

Question 5: The Focus Group seeks input from HNWIs 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.

A fair and confidential treatment is essential. It is also very important that the tax administration knows their limits (e.g. do not ask for documents the taxpayer is not required to deliver by law). In cases of voluntary disclosure the tax administration should take a less aggressive approach.

The tax amnesty in Germany has shown that there was a big fear among taxpayers that by taking the opportunity to get back on the full disclosure route would lead to them being "labelled" within the tax administration. And it has been shown that taxpayers who have filed the amnesty declaration have often been scrutinised by the tax audit after that.

Question 6: Please express your views on the merits of a product ruling regime in connection with HNWIs. 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 HNWIs you think would be the users of the types of products for which product rulings could be made available (i.e., certain HNWIs might be more likely to enter into tailor made arrangements that do not lend themselves to product rulings).

A product ruling regime would be helpful. It would give the taxpayer certainty and guarantees consistency of treatment across all taxpayers nationwide. This would mainly be interesting in respect to financial products.

Advanced binding ruling are possible in Germany already with the downside that you have to pay for it.

Unfortunately, it is not possible to obtain advanced rulings in cross-border-cases (involving two tax authorities) for example in respect to DTT qualification conflicts.

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