

# My Taxes

UBS Wealth Planning



**Taxes are a certainty.** They have existed since the ancient Egyptians and have played a significant role in (and sometimes caused) major events throughout history, such as the French and the American revolutions. Today, their relevance is particularly evident in an international context, where discussions take place around competitiveness among countries and the challenges of implementing a level-playing field.

#### **And they are omnipresent**

In a personal investment sphere, taxes are equally important, although often overlooked. Choosing an investment should, of course, be based on a thorough analysis of several aspects of real, financial, and capital markets, tailored according to your personal preferences. Nonetheless, taxes and reporting obligations may play a critical part, depending on the impact on your chosen investments.

When buying real estate, particularly in a foreign country, understanding whether the location is optimal, the price is fair, and the seller has all documents in order are crucial aspects. However, other important points include how much tax you will pay on an ongoing basis for holding the property, if any reporting obligations apply, how the capital gains tax will be calculated now and if you sell it in the future (e.g., do renovations need to be accounted for during the years to add

up to its acquisition cost?), and what will the tax burden be on your heirs when they receive it.

Factoring tax implications into your investment decisions means making conscious choices and being properly prepared for the outcome. It can only be of benefit to you to consider them in advance.

Although we do not provide tax or legal advice, our aim in this document is to help you identify the most important issues and raise the most important questions that are relevant to you. We strongly recommend you then discuss these with your external tax and legal advisors, taking account of your personal circumstances.

#### **Attention to taxes is a matter of wealth preservation**

Throughout your lifetime, taxation will come into play in different shapes and forms, both in a personal and business context. From the inception of your wealth to its consolidation and ultimately its transfer to the next generation, several questions around taxes will inevitably come up. What is the most tax-efficient way to structure your private wealth or to set up your company? What are the tax-related issues in transferring your wealth to the next generation? What will be the impact if you relocate to another country? How will the sale of your business be taxed?

Particularly when discussing finances, the taxation impact on investments should be taken into account, as taxes directly affect the return or their situs may lead to inheritance taxes being unexpectedly applicable in a given jurisdiction. In certain cases, not carefully considering the tax effects could result in the unpleasant surprise of being credited only 65% of the value of dividends paid by stocks, heirs receiving only 60% of the investment value of assets, or being subject to taxation and filing obligations on a monthly basis.

Depending on a few factors, such as whether there is a tax treaty between the country of residence and the country of issue for the security, it may be possible to ask for a refund of part of the tax withheld in the payment of dividends or even to prevent part of the excess withheld at source, based on treaty provisions. For securities that trigger inheritance taxation regardless of the residence of the investor, it is generally possible to choose alternative instruments that provide similar investment exposure with a different taxation structure. In countries where a monthly tax applies, investing in an accumulating vehicle may reduce the administrative tax burden. Or holding your investments through a structure that allows for tax deferral, like a life insurance policy, a trust, or other legitimate setup that meets your general needs, can alleviate your annual tax and reporting obligations even further.

### Always get professional advice

Analyzing the tax implications of your investment decisions to understand whether any alleviating measures could work in your situation requires professional and specialized support. Taxes are constantly changing, and tax laws can be very complex. The way they impact you can be affected by several factors, including your tax residence, your tax status, and all the characteristics of your investment structure (e.g., jurisdiction, legal form).

Make sure to always get support from tax advisors who have the right expertise and who fully understand your individual situation.

### How UBS can help

Reporting the income and gains derived from your investments to your country's tax authorities may be at times burdensome. To assist you and your independent tax advisor with the preparation of your tax return, UBS offers detailed income and gains reports. For several countries, the reports are adapted to the specific tax rules of the jurisdictions, significantly reducing the amount of work to be done by the tax advisor to transpose the relevant information to the tax forms.

As mentioned above, dependent on certain conditions, the tax withheld at source on dividends and interest paid on securities can be refunded. In some cases, the withholding tax at source can even be reduced as the dividend or interest is paid. For select jurisdictions, UBS may assist you with the tax reclaim or relief at source processes.

Being aware of the tax rules that apply to you and understanding their impact with the right support of specialists can result in a better management of your wealth, for yourself and for future generations. True long-term success can be achieved through our full My Life offering:



1. **My Family**, the best way to ensure the people closest to you are well off
2. **My Protection**, security from multiple risk factors and disruptive events
3. **My Company**, a proven strategy to ensure business success
4. **My Taxes**, factoring the tax aspects in your decisions
5. **My Retirement**, this well-earned time deserves the best planning
6. **My Succession**, setting the path for your assets and values beyond your lifetime

There may be several options available to you. At UBS Wealth Planning, we can discuss these to identify your specific circumstances and personal preferences that you can then follow up with your own tax or legal advisor. Please note that UBS does not provide legal or tax advice.

For further information, please contact your UBS Client Advisor, who will be happy to put you in touch with our specialists in UBS Wealth Planning.

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Certain Canadian Federal Income Tax Considerations:

This summary is based on the provisions of the Income Tax Act (Canada) (the "Tax Act") and its regulations which are in force or have effect as of the date hereof. UBS assumes no liability to update or revise the below summary, and it should not be relied upon by investors to make investment decisions. The below summary of certain Canadian federal income tax considerations is limited to a nonexhaustive set of tax rules that could result in a tax liability to an investor that is resident of Canada for purposes of the Tax Act and that is investing in securities of a "non-resident" (as defined in the Tax Act) issuer even if the investor does not earn or receive any amounts from such investment.

The Tax Act includes rules (the "Offshore Investment Rules") that may require an amount to be included in the income of an investor that holds an "offshore investment fund property". The Offshore Investment Rules may apply where (i) an offshore investment fund property derives its value primarily from "portfolio investments" in certain assets, and (ii) it may reasonably be concluded that one of the main reasons for the investment is to derive a benefit from portfolio investments in these assets in such a manner that taxes on the income, profits and gains from the assets are significantly less than the tax applicable under the Tax Act if such income, profits and gains had been earned directly by the investor.

If the Offshore Investment Rules apply, the investor will have an income inclusion in respect of each month equal to the "designated cost" of the property to the investor that is subject to the rules at the end of the month multiplied by 1/12th of the sum of a prescribed rate of interest plus 2 %. The prescribed rate of interest is linked to the yield on 90-day Government of Canada Treasury Bills and is adjusted quarterly. The income inclusion will be reduced by the investor's income for the year (other than capital gains) from the offshore investment fund property determined under the other provisions of the Tax Act. Accordingly, if the Offshore Investment Rules apply to an investor, the investor may be required to include in taxable income amounts that the investor has not earned or received. These rules are complex and their application depends, to a large extent, on the reasons of an investor for acquiring or holding the investment. The foregoing summary provides a general description of the Offshore Investment Rules, and should not be construed as advice to any particular investor regarding the implications of the Offshore Investment Rules in the investor's particular circumstances. Investors are urged to consult their own tax advisors regarding the application and impact of the Offshore Investment Rules in their particular circumstances.

The rules in respect of non-resident trusts will not apply in respect of "exempt foreign trusts" (as defined in the Tax Act), which would, subject to detailed provisions, generally include commercial trusts. Where, however, a non-resident trust is an exempt foreign trust because it is a commercial trust, an investor (x) that holds, either alone or together with (i) any persons not dealing at arm's length with the investor or (ii) any persons who acquired their interest in the trust in exchange for consideration given to the trust by the investor, at least a 10% interest (as defined and determined based on fair market value) in such trust, or (y) that has contributed "restricted property" (as defined in the Tax Act) to such trust, will be required to include in income a percentage of that trust's "foreign accrual property income" (as defined in the Tax Act). Other investors in a commercial trust may be subject to the Offshore Investment Rules discussed above. Investors should consult their own tax advisors in this regard.

If the total "equity percentage" (as defined in the Tax Act) of a Canadian investor (and related persons) is 10% or more in a particular non-resident corporation, the investor may be subject to the rules in the Tax Act which (i) require the inclusion of a percentage of the foreign accrual property income of the corporation in computing the income of the investor, rather than the application of the Offshore Investment Rules, and (ii) could result in withholding tax being due by an investor that is a corporation resident in Canada for purposes of the Tax Act. Investors should consult their own tax advisors in this regard.

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